

CAFII Executive Operations Committee Teleconference-Only Meeting Agenda

Date: Tuesday, February 25, 2020

Chair: M. Boyle

Location: Teleconference-Only

Time: 2:30 – 4:00 p.m. EST

Dial-in: 416-477-0921/514-447-8925/1-888-543-2249

Pin #: 1500

Item	2:00 p.m.	Presenter	Action	Document
1. Call to Order		M. Boyle		
a. Welcome to New EOC Members (official welcome to EOC Members from Sun Life Financial; and to Penny Cordogiannis from RBC Insurance)				
2. Consent Items	2:05 p.m.	Presenter	Action	Document
a. Regulatory Update				✓
b. Consultations/Submissions Timetable				✓
c. Regulator and Policy-Maker Visit Plan				✓
d. CAFII Submission To FCNB On Restricted Insurance Licensing Regime Consultation				✓
e. CAFII Submission To FSRA On Proposed Guidance Framework Consultation				✓
3. Governance Matters	2:08 p.m.	Presenter	Action	Document
a. Draft Minutes of January 21/20 EOC Meeting		K. Martin/B. Wycks	Approval	✓
b. Summary of Board and EOC Action Items		B. Wycks/K. Martin	Update	✓
c. Board-Approved Decisions Reached In February 10/20 Special Purpose Teleconference Meeting		B. Wycks	Update	✓
d. New CAFII Initiation Member Prospects		B. Wycks	Update	
e. New CAFII Associate Prospects		B. Wycks	Update	
f. Launch of EOC Working Group To Explore A New Lower Dues Category Of CAFII Membership		M. Boyle	Update	✓
4. Financial Management Matters	2:20 p.m.	Presenter	Action	Document
a. Financial Statements as at January 31/20 (including Board-Approved CAFII 2020 Operating Budget)		T. Pergola	Update	✓
b. Timelines for KPMG Audit of CAFII 2019 Fiscal Year Financial Statements		B. Wycks	Update	✓
5. Recent and Upcoming Strategic and Regulatory Initiatives	2:30 p.m.	Presenter	Action	Document
a. CAFII Engagement with AMF On RADM's Applicability to Credit Card-Embedded Insurance Benefits				
i. Insights Gained From February 11/20 CAFII Meeting with the AMF		K. Martin	Update	✓ (2)
ii. CLHIA Response To CAFII Report on February 11/20 Meeting; and Possible Engagement With AMF On This Issue		K. Martin/B. Wycks		✓
iii. CBA Response To CAFII Report On February 11/20 Meeting		K. Martin/B. Wycks	Update	✓
iv. Next Steps In CAFII's Engagement with AMF On This Issue		K. Martin	Update/ Discussion	✓
v. Launch of CAFII Working Group on Credit Card-Embedded Insurance Benefits and Industry Relations with The AMF		K. Martin/S. Kirby	Discussion	
b. AMF December 20/19 Communique Re Operational Incident Reporting		M. Boyle/R. Dobbins	Discussion	✓ (2)
c. AMF Review of Critical Illness Insurance		M. Boyle	Update	
d. April 7/20 CAFII Informal Lunch With AMF Staff Executives, Industry Issues Dialogue, and CAFII Board Meeting in Levis, Quebec		B. Wycks	Update	✓
e. CAFII March 5/20 Meeting With CCIR/CISRO's FTCWG, For Which An Association-Level Deck/Submission On "Incentives and Compensation Models Currently In Market" Has Been Requested		B. Wycks/K. Martin	Update/ Discussion	✓
f. CAFII March 9/20 Presentation Meeting With FCAC On Credit Protection Insurance Sales Practices and Fair Treatment of Customers Considerations: Confirmation of Details		B. Wycks	Update	✓
i. Development of CAFII Story-Telling Presentation Deck By Dog and Pony Studios		K. Martin	Update	✓
ii. Integration Of Willis Towers Watson CPI Data From CAFII Members Into Presentation Deck		K. Martin	Update	✓
iii. CAFII Delegation For March 9/20 Meeting With FCAC		B. Wycks	Update	
g. Launch Of CAFII Quarterly Credit Protection Insurance Benchmarking Study		K. Martin	Update	
i. Approach To Transfer of Date From CAFII Member Participants To RSM Canada		K. Martin	Update	
h. Proposed Amendments to Regulations under Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada); and Potential Impact Upon Life Insurers, Brokers, and Agents		D. Ewen	Update/ Discussion	✓

i.	CAFII Credit Protection Insurance Industry Best Practices Working Group: Progress Report	M.Boyle/K.Kasperski	Update	✓
ii.	Call For Additional EOC and Other Member Company Volunteers For Work Streams	K. Martin	Update	
j.	CAFII March 26/20 Annual Members' Luncheon	B. Wycks	Update	✓
k.	2020 CAFII Research Plans/Initiatives	K. Martin/A. Stuska	Update	✓
l.	2020 CAFII Website Investment Plans/Initiatives	K. Martin/C. Blaquiere	Update	✓
m.	Rank Higher Presentation of CAFII 2019 Website Metrics Report	K. Martin	Update	✓
n.	CAFII Opinion Column On Credit Protection Insurance In Canadian Business Quarterly	K. Martin	Update	✓

6.	Other Business	3:25 p.m.	Presenter	Action	Document

7.	Tracking Issues	Presenter	Action	Document
a.	FCNB Insurance Act Rewrite (Including Linked Plan to Introduce an RIA Regime)			
b.	AMF Consultation on Updating Sound Commercial Practices Guideline			
c.	BC Drafting of Regulations To Implement Financial Institutions Amendment Act, 2019			
d.	FCAC: Phase 2 of Domestic Bank Retail Sales Practices Review			

Next EOC Meeting: Tuesday, March 24, 2020, 2:00 p.m. – 4:30 p.m., 18 York St. 9th Floor (Manitoba Room), hosted by CIBC Insurance

Annual Members' Luncheon: Thursday, March 26/20 from 11:45 a.m. to 2:15 p.m., featuring Judith Robertson, Commissioner, FCAC as guest speaker, at Snell Hall, St. James Cathedral Centre Event Venue, 65 Church St., Toronto

Next Board Meeting: Tuesday April 7/20, 2:20 to 4:00 p.m., preceded by Informal Liaison Lunch and Industry Issues Dialogue with AMF staff executives, hosted by Desjardins Financial Security in Levis/Quebec City

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Regulatory Update – CAFII Executive Operations Committee, February 21, 2020

Prepared By Brendan Wycks, CAFII Co-Executive Director

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Federal/National

Canadian Life and Health Insurance Association (CLHIA)

CLHIA Submission To FCNB On RIA Regime Consultation Supports CAFII's Views

CLHIA's response submission to the Financial and Consumer Services Commission of New Brunswick (FCNB)'s recent consultation paper on its proposed Restricted Insurance Agent/Incidental Sellers of Insurance licensing regime is very much in harmony with CAFII's own submission. Below are some excerpts from CLHIA's submission which are aligned with CAFII's views on the consultation paper's questions, but are stated somewhat differently:

1. *Who can apply for a licence?*

The Consultation proposes that certain types of businesses would be eligible to be issued a restricted insurance licence to allow the business and its employees to act as an 'incidental seller of insurance' (ISI).

a. *Use of the term 'incidental seller of insurance' excludes some travel insurance and future products*

Linking New Brunswick's restricted licencing regime with ISIs as defined in the Consultation limits who may be issued a restricted insurance licence and restricts the scope of the regime whereby current and any future products that are not necessarily sold incidental to the sale of another product or service fall outside the scope of the regime. A good example of this is travel insurance sold through bank branches.

We note that this follows the approach taken in Manitoba. However, we also note that Manitoba is unique in linking the issuance of restricted insurance agent licenses to ISIs. In contrast to Manitoba, Alberta and Saskatchewan refer to the types of insurance coverage and the channels through which they are distributed, thus avoiding any limitation related to the incidental selling of insurance.

We would therefore recommend that New Brunswick harmonize with Alberta and Saskatchewan by introducing a restricted licensing regime that does not rely on defining incidental sellers of insurance.

Such an approach would give New Brunswick the flexibility to include, under one licence, products that are currently excluded as well as consolidating the consumer protection requirements from the two licences into one regime. On that point, we would argue that both the insurer's and licence holder's obligations and responsibilities under the Consultation, already provide the same accountabilities and potential for minimum objective education standards that would be achieved through maintaining a separate individual travel insurance licence.

Finally, we would also like to draw your attention to the possible regulatory burden that businesses in New Brunswick could encounter as restricted licence holders who also distribute travel insurance. We discuss this further below under the heading 'Applying for two licences.'

b. Applying for two licences

The Consultation provides that the Commission proposes to continue issuing separate travel insurance to individuals. Were this to be the result businesses would, in addition to maintaining the restricted insurance licence at the business level, need to ensure that any individual who solicits, negotiates, sells or arranges travel insurance is also appropriately individually licensed. This would lead to increased regulatory burden and to businesses being confused about which sets of rules to comply with in certain scenarios.

In the interest of harmonization, we would recommend that New Brunswick harmonize with Manitoba and include travel insurance under one licence in their restricted insurance licensing regime. If New Brunswick were to maintain a separate licence for travel insurance, we strongly recommend they do this at the business level. One way of doing this is to issue a 'general' restricted insurance agent licence for travel insurance and a 'life' restricted insurance agent licence for creditor's life, disability and job loss insurance, as is the case in Saskatchewan.

3. Separate Insurance Application

We agree that requiring restricted licence holders and their employees to provide the consumer with a separate application for the insurance coverage allows customers to more fully appreciate the nature of the insurance product being offered.

However, we would ask for clarification that while the application for insurance must be separate from the other product or service being sold, that it can accommodate multiple classes or types of insurance. For example, it would unduly complicate the sales process if a product like 'credit card balance insurance' was required to have separate application forms for Creditor's life, disability and loss of employment insurance.

Financial Consumer Agency of Canada (FCAC)

FCAC Seeks Candidates For Consumer Protection Advisory Committee

On February 3/20, FCAC issued a New Release which read as follows:

Today, the Financial Consumer Agency of Canada (FCAC) launched a call for applications for its Consumer Protection Advisory Committee. This committee plays a key role by supporting FCAC's Commissioner, Judith Robertson and the Agency in carrying out its financial consumer protection mandate. Committee members will provide advice and share insights on FCAC priorities and objectives, emerging trends, issues, research and other matters relevant to financial consumers.

Interested individuals have until 11:59 p.m. (PST) on February 23, 2020 to apply.

Quick facts

- FCAC is seeking to appoint a maximum of 15 members.
- FCAC's Commissioner will select individuals who are experienced senior representatives from the public, private and non-profit sectors who want to make a significant contribution to the financial protection of Canadians.
- Those interested in receiving further information about the committee and its application process may contact FCAC at CPACapplications-candidaturesCCPC@fcac-acfc.gc.ca.

Provincial/Territorial

British Columbia

BC Financial Services Authority (BCFSA)

BCFSA Announces New Annual Fees Structure For Insurers

On December 16/19, BCFSA issued an Information Bulletin to announce the new insurance company, pensions, and mortgage broker annual fees structures that would come into force under its authority in early 2020.

On December 12/19, BC's Lieutenant Governor in Council approved BCFSA's proposed annual fee changes in the insurance, pensions, and mortgage broker sectors (Order in Council 645). The changes are available at www.bclaws.ca.

For insurance companies authorized to do business in BC (both BC-incorporated insurers and extra-provincial insurers), the following annual fee schedule came into force on January 15/20:

- Insurers with \$100 million or less of total non-consolidated assets: \$5,000 plus 0.019% of direct premiums in BC;
- Insurers with greater than \$100 million to \$1 billion of total non-consolidated assets: \$7,500 plus 0.019% of direct premiums in BC;
- Insurers with greater than \$1 billion of total non-consolidated assets: \$10,000 plus 0.019% of direct premiums in BC.

In the Information Bulletin, BCFSA indicates that as a new Crown agency, it is committed to reviewing fees on a more regular basis to ensure that they are aligned with changes in regulatory costs. Such reviews will involve public and industry consultation.

BCFSA's Information Bulletin on its new annual fee structures can be found here:
https://www.bcfesa.ca/pdf/info_bulletins/PENS-MB-INS-19Fees.pdf.

Minister of Finance Issues Mandate Letter To BCFSa

On January 14/20, BC Minister of Finance and Deputy Premier Carole James issued a Mandate Letter to BCFSa, the new Crown Agency's first such "marching orders" from the provincial government.

Ms. James indicates in the Mandate Letter that she expects that BCFSa will make substantive progress on the following priorities and incorporate them into the goals, objectives and performance measures in the Authority's 2020/21 Service Plan:

Risk-based Supervision and Consumer Protection

- Advance the BCFSa's risk-based and proportionate supervision of financial services sectors and efforts to enhance consumer protection.

External Engagement

- Engage and work with sector participants and other provincial and federal regulators.
- Work collaboratively with government, industry and other stakeholders to review issues related to the cost and availability of insurance for strata corporations.

Regulatory Governance and Legislation

- Continue to work with the Superintendent of Real Estate, the Ministry of Finance Policy and Legislation Division, and the Real Estate Council of BC to establish a single regulator of real estate within the BCFSa.
- Provide information, advice and support to the Ministry of Finance as the Ministry undertakes a review of the Mortgage Brokers Act.

Deposit Insurance

- Work collaboratively with government to ensure a sustainable and effective deposit insurance program and improve financial crisis preparedness.

Anti-Money Laundering

- Work collaboratively with government as it improves the effectiveness of B.C.'s Anti-Money Laundering Regime.

Insurance Council of BC

Insurance Council Issues Updated Guidance For New Life/A&S Agent Supervision

In November and December 2019, the Insurance Council posted notices on its website reminding licensees that its updated guidance on supervision requirements for new life and/or accident & sickness agents would take effect on January 1/20 and apply to both resident and non-resident licensees.

Council's Notice *ICN 19-004 Guidelines for Supervision of New Life and/or Accident & Sickness Agents* can be found in the Notices section of the Council's website.

The guidelines include:

- greater clarity about who can supervise, supervisor responsibilities, the period of supervision;

- a limit on the number of new agents that can be supervised by any one person;
- more information regarding exemptions to mandatory supervision; and
- one updated form and two new forms.

All life and/or accident & sickness licensees are expected to be aware of and familiarize themselves with the Council's updated guidance.

Insurance Council Introduces New Option For Writing Harmonized LLQP

In December 2019, the Insurance Council announced that effective February 2020, it would be providing a new option for writing the Harmonized Life Licence Qualification Program (LLQP) exam.

The Harmonized LLQP consists of four modules. Currently, the cost to write up to four modules in one sitting (all on one day) is \$125. The cost to retake the exam is also \$125, which allows an examinee to rewrite up to four modules.

Starting in February 2020, the Insurance Council is introducing an option for examinees to schedule and write individual exam modules for a fee of \$50 per module. Examinees will still have the option of writing up to four exam modules in one day for a fee of \$125.

This change is intended to provide greater flexibility for examinees, accommodating those who only need to write one or two exam modules.

Insurance Council Issues Advisory Notice On Donations of Life Insurance Policies

In December 2019, the Insurance Council issued an advisory notice on the donation of life insurance policies: *ICN 19-005 Donations of Life Insurance* which provides guidance on this topic.

In BC, a registered charity may be named as the beneficiary of a life insurance policy; however, donations of life insurance policies have greater complexity and require diligent handling due to anti-trafficking provisions within the *Insurance Act*.

Life agents should be aware of the considerations surrounding these activities in order to comply with regulatory requirements.

Alberta

Alberta Treasury Board and Finance (ATBF)

Alberta Appoints New Superintendent Of Insurance

While there has been no official announcement by ATBF of this change, new member representative information posted on the Canadian Council of Insurance Regulators' website indicates that Alberta appointed a new Superintendent of Insurance, effective December 2019.

The new Superintendent of Insurance and Assistant Deputy Minister, Financial Sector Regulation and Policy is Sherri Wilson.

Ms. Wilson has previously served in the following Government of Alberta positions since 2012: Executive Director, Program Design and Policy Development; Acting Assistant Deputy Minister, Employment and Financial Supports; Executive Director, Operations and Machinery of Government; and most recently as Assistant Deputy Minister, Public Health and Compliance.

Darren Hedley, Alberta's former Superintendent of Insurance, was promoted into the role of Senior Assistant Deputy Minister, Budget Development and Reporting in December 2019.

Saskatchewan

Financial and Consumer Affairs Authority (FCAA)

FCAA Issues News Release On New Insurance Act Coming Into Force

On December 23/19, Shannon McMillan, Director of Communications at Saskatchewan's Financial and Consumer Affairs Authority (FCAA), posted the following News Release on the Authority's website:

The Government of Saskatchewan will be proclaiming The Insurance Act on January 1, 2020.

The new Act modernizes legislation, allowing Saskatchewan's marketplace to deal with new and emerging issues in the rapidly changing insurance industry.

"These changes better reflect what is going on in the industry," Justice Minister and Attorney General Don Morgan said. "We had extensive consultations with industry associations, insurers and agents and have developed legislation that is flexible and modern, and enhances consumer protection."

The new Saskatchewan insurance legislation:

- *incorporates new licensing and supervision requirements;*
- *introduces separate licensing categories for managing general agents and third party administrators;*
- *expands the restricted insurance agents licensing regime to permit the sale of insurance together with the sale of certain products or services (e.g. car rental companies or insurance for portable electronic goods);*
- *outlines market conduct standards, introduces new fair practice provisions, and identifies unfair practices in order to protect consumers;*
- *describes new complaint handling provisions, including a requirement to let consumers know about where they can take complaints and disputes such as to an ombud service or the Superintendent; and*
- *moves toward further harmonization with other Canadian jurisdictions, primarily Alberta.*

Insurance Councils of Saskatchewan (ICS)

ICS Posts New 2020 Bylaws, Including RIA Advisory Committee Provisions

In January 2020, the Insurance Councils of Saskatchewan (ICS) posted on its website new bylaws for its overarching Insurance, its General Insurance Council, and its Life Insurance Council which took effect on January 1/20.

In a significant win and advancement for the *bancassurance*/restricted insurance agent sector and the Insurance Councils of Saskatchewan as well, the new Life Insurance Council Bylaws and the new General Insurance Council Bylaws contain identical, specific provisions empowering ICS to establish a Restricted Insurance Agent Advisory Committee, as follows (where GICS means General Insurance Council of Saskatchewan; and LICs means Life Insurance Council of Saskatchewan; and the administrator referred to in section 1-10 means the Executive Director of the Insurance Councils of Saskatchewan):

2-5 Restricted Insurance Agent Advisory Committee

(1) The Restricted Insurance Agent Advisory Committee (hereinafter "RIAAC") is established by agreement of GICS and LICs.

(2) The RIAAC is composed of: (a) at least two restricted insurance agent representatives with distribution expertise in restricted insurance agent products; (b) at least two insurance company representatives with expertise in relevant products; and (c) the administrator referred to in section 1-10, or his or her delegate.

(3) As required, GICS and LICs shall call on the required industry associations to nominate a list of representative candidates, as outlined in the terms of reference.

(4) The RIAAC shall: (a) provide subject matter expertise to GICS and LICs regarding Restricted Insurance Agents; (b) advise GICS and LICs on issues relating to the Restricted Insurance Agent licence; (c) meet as frequently as required to fulfill its terms of reference; and (d) make timely reports to GICS and LICs on the business of the committee.

Manitoba

Insurance Council of Manitoba (ICM)

ICM Calls Out Unlicensed RIA Activity Related To "Designated Officials"

In an *Autumn 2019 ICM Report* newsletter published on its website in December 2019, the Insurance Council of Manitoba calls out a trend it says it has noticed with respect to unlicensed activity by certain Restricted Insurance Agent licence holders. The article reads as follows:

Unlicensed activity... it matters for Restricted Insurance Agents too. Restricted Insurance Agents (RIA) are businesses which may be licensed to sell certain types of insurance products in the course of selling other goods or services to their customers. Common examples of licensed RIAs are auto dealers or travel agencies, but there are many others eligible for RIA licensing under the Insurance Act.

Recently, Council has seen an increase in unlicensed activity being conducted by Restricted Insurance Agents.

By regulation, every RIA licence application must be accompanied by a written designation of a Designated Official under the licence. The Designated Official is the person responsible for supervising the licence-holding entity's insurance activities under the restricted licence, and for receiving notices and other documents on the entity's behalf.

Examples involving unlicensed activity conducted by RIAs have included:

- when the Designated Official leaves the RIA entity, and no replacement Designated Official is appointed to renew the licence by the May 31st renewal deadline, and the entity continues to sell insurance after the licence expires;*
- when the Designated Official remains with the entity but fails to renew the RIA licence due to an administrative oversight. With no licence in place, the entity has continued to sell insurance and hold itself out to members of the public as an agent.*

Designated Officials of RIA licence holders must ensure that they follow the requirements of the Insurance Act and its regulations. Section 29 of Regulation 389/87 sets out the requirement to notify ICM of a change of Designated Official without delay, as noted below:

Replacement or incapacity of designated official

29(1) If a restricted licence holder's designated official ceases to be eligible under subclause 28(a)(i) or (ii) or the designation of a person as the designated official under a restricted insurance agent licence is otherwise to be terminated, the restricted licence holder must, without delay, inform the superintendent and provide the superintendent with a designation of a replacement designated official.

29(2) If a restricted licence holder's designated official is unable to discharge the responsibilities expected of the designated official, the restricted licence holder must, without delay, inform the superintendent and provide the superintendent with a designation of a replacement designated official.

Council reminds Designated Officials to have operational practices in place to ensure that a Designated Official is in place when the entity holds a licence and that administrative procedures are implemented to ensure continuity of that licence in order for the entity to carry on the activities of an agent. The Insurance Act prohibits unlicensed insurance activity, and an RIA entity which fails to remain appropriately licensed may be subject to disciplinary action.

Ontario

Financial Services Regulatory Authority of Ontario (FSRA)

FSRA Establishes Consumer Advisory Panel

On January 23/20, FSRA issued a News Release announcing its establishment of a Consumer Advisory Panel and introducing its founding members. Under the headline of “FSRA Delivers On Its Commitment To Protect Consumers: New Consumer Advisory Panel Launched To Inform Regulatory Priorities,” the Release reads as follows:

The Financial Services Regulatory Authority of Ontario (FSRA) is delivering on its commitment to protect the public interest by establishing a Consumer Advisory Panel to help inform its work.

The Panel will provide perspectives from consumers (including pension beneficiaries, credit union members and the general public) on proposed FSRA policy changes, and assist its Consumer Office in becoming the voice of the consumer within FSRA. The nine members selected to serve on the Panel bring extensive leadership and experience in representing consumer interests in Ontario and Canada. They will provide input and help to inform FSRA’s strategic approach and related activities, including consumer-based research, policy support and consumer outreach.

FSRA received valuable feedback from public consultations conducted between October 15, 2019, and November 14, 2019, and incorporated it into the Panel’s Terms of Reference. This included, for example, a requirement for the Panel to provide feedback on FSRA’s progress in meeting its priorities. A summary report on the public consultations is available on [FSRA’s website](#).

“The Consumer Advisory Panel will help ensure that consumer perspectives inform FSRA’s direction and decisions, a key priority for FSRA,” says Glen Padassery, FSRA’s Executive Vice President, Policy and Chief Consumer Officer. “The Panel is an important part of FSRA’s stakeholder engagement process as we work to deliver on our mandate to protect the public interest, and safeguard public confidence and trust, in financial services in Ontario.”

The panel will hold its first meeting later this winter. More information about the Panel is available on [FSRA’s website](#).

Panel Members

Sharon Altman-Leamen

Ms. Altman-Leamen is a Director of the Canadian Federation of Pensioners and a member of its advocacy team. She is also the co-founder and Senior Vice President of Yellow Pages Pensioners Group. Her focus is protecting the pensions and benefits of active and retired members of Defined Benefit Plans in Canada, especially with regard to underfunded pension plans that have in some cases ended up in windup, due to bankruptcies or insolvencies.

Kristian Bonn

Mr. Bonn is the Vice President (and future President) of the Ontario Trial Lawyers Association, focused on advocating for the rights of those who have suffered injury and losses as the result of wrongdoing by others. As a law partner at Bonn Law Office Professional Corporation, he represents individuals involved in auto insurance disputes, property insurance claims and other civil matters.

Anish Chopra

Mr. Chopra has over 20 years of experience interacting with clients of all backgrounds across a variety of wealth channels from investment advisors to financial advisors to institutional and retail investors. He was Chair of the CFA Society of Toronto and has served on the Board of Directors of the Alternative Investment Management Association (AIMA) Canada, the Canadian Accounting Standards Board, and as a community member on the Ontario Judicial Council.

Rhona DesRoches

Ms. DesRoches is the Chair of the Board of FAIR Association of Victims for Accident Insurance Reform. She has extensive experience in the insurance industry from a consumer perspective, preparing and presenting materials to government, regulators and other stakeholders for the past 25 years with a particular focus on accident victims.

Hitesh Doshi

Professor Doshi is at Ryerson University. He served as the Chair of the Consumer Advisory Council of Tarion, Ontario's New Home Warranty Program, and of the City of Toronto's Technical Advisory Group on Green Roofs. He is focused on providing a well-researched and effectively-communicated consumer perspective to Regulatory Authorities.

Roger Gauthier

Mr. Gauthier has extensive knowledge and experience in the credit unions sector at the local, provincial and national levels.

He served on the Forum de Concertation de Desjardins, a national advisory panel, until December 2019. He is a Board member of the Fédération des caisses populaires de l'Ontario and of several credit unions/cooperatives. He works to ensure that financial institution and insurance providers remain strong and solid and that consumers are protected from loss should these providers fail.

Harold Geller

Mr. Geller is a lawyer who helps investors and the insured get what their financial advisors promised them. He is a member of the Ontario Securities Commission's Senior Expert Advisory Group and the Ombudsman of Banking and Investment's Consumer and Investor Advisory Council. He serves on the Executive Committees on Elder Law for both the Canadian and Ontario Bar Associations, and on the Canadian Bar Association's Executive Committee on Insurance Law.

Robert Gouley

Mr. Gouley has significant experience providing commentary and advice on investor protection issues and regulatory proposals, including the CCIR and CISRO Fair Treatment of Customers Guideline. He has led the Canada Advocacy Council of CFA Societies Canada and was the chair of the Canadian Securities Traders Association. His focus is promoting investor protection and confidence, and fair and efficient capital markets.

Laura Tamblyn Watts

Ms. Tamblyn Watts is a public policy lawyer with 20 years of expertise in the aging, financial, disability and consumer sectors. She founded and was the National Director of the Canadian Centre for Elder Law, and the Chief Public Policy Officer at CARP.

She recently founded CanAge, a new non-profit voice for seniors in Canada. She has extensive experience in banking, securities, regulatory and law reform in the consumer and financial sectors. She teaches at the University of Toronto in the Institute for LifeCourse and Aging, and the Factor Inwentash Faculty of Social Work.

New Brunswick

Financial and Consumer Services Commission of New Brunswick (FCNB)

FCNB Appoints New CEO

On December 19/19, FCNB announced that it would be heading into 2020 with a new leader at the helm. As of January 1/20, Kevin Hoyt, previously Vice-President and Executive Director of Securities, took the reins as FCNB's new CEO, succeeding Rick Hancox. The following are excerpts from FCNB's official announcement of this leadership change:

"When we started looking for a new CEO, we wanted to ensure we had the best candidate to replace Rick," said Peter Klohn, Commission Chair. "Our national search resulted in expressions of interest from some exceptional candidates. In addition to his financial expertise, Kevin has a very keen understanding of the many public policy issues facing the financial and consumer services sectors and the industries regulated by the commission. I am confident that he will continue to build on the strong foundation of innovation and regulatory excellence established by Rick."

An accountant by training, Hoyt originally joined FCNB as its Chief Financial Officer. Prior to that, he held several senior positions within departments and agencies of the governments of the Northwest Territories and of Saskatchewan.

Hoyt holds a variety of degrees and professional accreditations and has developed ties with colleagues nationally and internationally. He currently represents the commission on several regulatory boards and committees across North America.

CAFII Consultations/Submissions Timetable 2020-21

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"> Ministry announces FICOM transition into Financial Services Authority (FSA) FICOM-led Consultation on Industry Funding of BCFSa (successor regulator) CAFII submission on Industry Funding of BCFSa Revised Financial Institutions Act (FIA) tabled in the legislature CAFII submissions on draft Regulations in support of Revised FIA CAFII Meeting with Ministry of Finance staff executives <i>CAFII Follow-up Meeting with Ministry officials Re Credit Protection Insurance Sales Practices and Related Fair Treatment of Consumers Considerations</i> 	<ul style="list-style-type: none"> April 4/19 Released June 10, 2019 July 24/19 October 21/19 Q3 2020 through Q4 2021 October 25/19 <i>Q2 or Q3 2020</i> 	<ul style="list-style-type: none"> Mkt Conduct & Licensing Committee; Co-EDs to monitor
AMF Sound Commercial Practices Guideline Update	<ul style="list-style-type: none"> AMF releases consultation document CAFII submission on updated Sound Commercial Practices Guideline 	<ul style="list-style-type: none"> Q1 or Q2 2020 (expected) Q1 or Q2 2020 	<ul style="list-style-type: none"> Mkt Conduct & Licensing Cttee; Co-EDs to monitor
Quebec Bill 141 and Related Regulations (including Regulation Respecting Alternative Distribution Methods, RADM)	<ul style="list-style-type: none"> 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 AMF Response to Feedback on RADM Implementation/In-Force Period for RADM (varies by Article/Chapter) 	<ul style="list-style-type: none"> June 2018 October 10, 2018 December 10, 2018 April 17/19 June 13/19: Chapter 2; June 13/20: Chapter 3 	<ul style="list-style-type: none"> 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 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"> September 27, 2018 November 28, 2018 March 27, 2019 <u><i>Deferred from Q4 2019 to March 5/20</i></u> 	<ul style="list-style-type: none"> Mkt Conduct & Licensing Cttee; Co-EDs to monitor
CCIR 2020-2023 Strategic Plan	<ul style="list-style-type: none"> CCIR releases preliminary consultation draft of 2020-23 Strategic Plan CAFII 2019 Stakeholder Meeting With CCIR Focused On Strategic Plan CCIR announces formal deadline for written submissions CAFII submission on CCIR 2020-2023 Strategic Plan 	<ul style="list-style-type: none"> September 30, 2019 November 5, 2019 Q1 2019 (expected) Q2 2020 (expected) 	<ul style="list-style-type: none"> Mkt Conduct & Licensing Committee; EOC; Co-EDs to monitor
SK Bill 177	<ul style="list-style-type: none"> FCAA delays implementation of new Act and Regulations to Jan 1/20 FCAA releases transition-related Guidance and Interpretation Bulletin FCAA releases further transition-related Guidance/Interpretation Bulletin(s) 	<ul style="list-style-type: none"> November 26, 2018 May 17, 2019 Q1 2020 (expected) 	<ul style="list-style-type: none"> Mkt Conduct & Licensing Cttee; Co-EDs to monitor
FCNB Insurance Act Rewrite and Introduction of RIA Regime	<ul style="list-style-type: none"> CAFII Meeting with David Weir and Jennifer Sutherland Green, FCNB in Fredericton CAFII submission on FCNB Licensing of Insurance Adjusters and Damage Appraisers Consultation FCNB launches industry consultation on RIA licensing regime model CAFII submissions on FCNB's Insurance Act Rewrite and RIA Regime 	<ul style="list-style-type: none"> June 11, 2019 July 2/19 November 29, 2019 January 31, 2020 	<ul style="list-style-type: none"> Mkt Conduct & Licensing Cttee; Co-EDs to monitor
FSRA Consultation On Proposed New Guidance Framework	<ul style="list-style-type: none"> FSRA releases proposed New Guidance Framework for consultation CAFII submission on FSRA's proposed New Guidance Framework 	<ul style="list-style-type: none"> October 17, 2019 January 31, 2020 	<ul style="list-style-type: none"> Mkt Conduct & Licensing Cttee; Co-EDs to monitor

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

Agenda Item 2(c)
February 25/20 EOC Meeting

CAFII Insurance Regulator and Policy-Maker Meetings From January 1, 2020 To February 20, 2020

<u>Date</u>	<u>Event/Occasion</u>	<u>Who</u>
11 February 2020	Delegation of seven (7) CAFII representatives met with AMF officials on issue of the applicability of the Regulation respecting Alternative Distribution Methods to credit card-embedded insurance benefits (Alain Camirand, TD Insurance; Isabelle Choquette, Desjardins Financial Security; Karyn Kasperksi, RBC Insurance; Rob Dobbins, Assurant; Martin Boyle, BMO Insurance (by phone); Keith Martin; CAFII; Brendan Wycks, CAFII.)	Mario Beaudoin, Director, AMF Isabelle Berthiaume, Director, AMF Sharon Boucher, Analyst, AMF
14 February 2020	Brendan Wycks and Felicia Tavares, CAFII Event Specialist at Managing Matters, had teleconference meeting with Pamela Wygodansky, Financial Consumer Agency of Canada (FCAC), re promotion of and planning/logistical details related to guest speaker presentation by FCAC Commissioner Judith Robertson at CAFII's 2020 Annual Members' Luncheon on Thursday, March 26/20.	Pamela Wygodansky, Outreach Co-ordinator, Marketing and Communications, FCAC

January 31, 2020

Mr. David Weir
Senior Technical Advisor
Financial and Consumer Services Commission of New Brunswick
200 – 225 King St.
Fredericton, New Brunswick E3B 1E1

Dear Mr. Weir:

Re: Consultation Paper Insurance 2019: Incidental Selling of Insurance, Restricted Insurance Licensing Regime

CAFII commends FCNB for undertaking this consultation and we appreciate the opportunity to comment on the issues set out in the paper.

CAFII's focus as an industry Association is on credit protection insurance – also known as creditor's group insurance, as it is called in your consultation paper – along with travel insurance, as those are the key areas of risk exposure for which our members offer simple, convenient insurance solutions to Canadians through a variety of distribution channels.

Therefore, with respect to the Consultation Questions, we have restricted our feedback comments to matters germane to creditor's critical illness insurance, creditor's disability insurance, creditor's life insurance, and creditor's loss of employment insurance. We have not responded to those Consultation Questions which are out-of-scope for our Association.

1. Licensing of Incidental Sellers of Insurance: Consultation Questions:

1.1 How should "incidental seller of insurance" be defined?

CAFII recommends that FCNB give full and serious consideration to harmonizing with the approach utilized by Alberta and Saskatchewan by introducing a restricted insurance licensing regime which does not rely on defining an "incidental seller of insurance." Such an approach would give your province maximum flexibility to include, at a later date, other existing insurance products which are suitable for a restricted licensing regime – such as travel insurance (see response to 1.4 below) – without having to go back and re-open a definition that is codified in legislation or a regulation. It would also make it easier for FCNB to add new types of insurance products which may be introduced to the market in the future to the restricted licensing regime.

1.2 What businesses should be eligible to receive a restricted insurance licence?

CAFII is generally comfortable with the list of eligible businesses itemized in Section 1 of the consultation paper.

For clarity, however, we recommend that FCNB make the following edit to the final bullet point in the list of Eligible Businesses, on a go-forward basis:

- A business engaged by one of ~~these~~ **the above-noted types of** businesses to solicit, negotiate, sell or arrange insurance on its behalf.

1.3 What classes or types of insurance should be permitted to be solicited, negotiated, sold or arranged under a restricted insurance licence?

CAFII is generally comfortable with the *Classes and Types of Insurance* that the consultation paper proposes for inclusion in New Brunswick's restricted insurance licensing regime.

However, we offer the following points of feedback on the proposals in this section:

- FCNB should undertake a thorough review to assure itself that all classes and types of insurance proposed for inclusion in the restricted insurance licensing regime exist in the province's governing legislation;
- we view the definitions of Creditor's critical illness insurance, Creditor's disability insurance, Creditor's life insurance, and Creditor's loss of employment insurance as being comprehensive and accurate. However, that said, Creditor's loss of employment insurance is equally provided in the form of "a group insurance policy, or a creditor's group insurance policy" and those words should be added to the beginning of its definition for consistency with the definitions of the other three types of credit protection/creditor's group insurance; and
- with respect to "Mortgage insurance," we recommend that FCNB name and differentiate this type of insurance better by calling it "Mortgage default insurance" to distinguish it from creditor's group life/disability/critical illness/loss of employment insurance on a mortgage and thereby avoid confusion.

1.4 Do you agree with the classes or types of insurance that the Commission proposes to exclude from the restricted insurance licensing regime, thereby requiring individuals who sell those products to be fully licensed?

By way of background context to our response to this question, the powers of federally regulated financial institutions, including CAFII members, to sell travel insurance across Canada stem from both the federal *Bank Act* and the *Insurance Business (Banks and Bank Holding Companies) Regulations*, under which travel insurance is an Authorized Insurance Product, and provincial insurance legislation and regulations.

That said, CAFII strongly recommends that FCNB should reconsider its stated intention to continue issuing a separate travel insurance agent licence for individual licensees, and instead harmonize with Alberta, Saskatchewan, and Manitoba by including travel insurance within New Brunswick's new restricted insurance licensing regime.

We believe that travel insurance should be part of your province's restricted licensing regime because making this change will in no way compromise consumer protection and it will support the overall efficiency and effectiveness of the FCNB, as the regulator, and of the industry. Having travel insurance incorporated within the new restricted licensing regime will allow CAFII members and other insurance businesses to dedicate more of their resources to meeting consumer expectations and enhancing the consumer experience.

Requiring federally regulated financial institution (FRFI) employees to be individually licensed to sell travel insurance would prevent CAFII members from selling travel insurance from their branches because bank branch employees are not permitted to be licensed insurance agents. Such a scenario would result in restricted access to travel insurance for New Brunswickers, access which is available to consumers in all other provinces and territories.

1.6 For which classes or types of insurance should specific businesses be eligible to seek a licence?

CAFII is generally comfortable with the eligible classes and types of insurance specified for deposit-taking institutions under FCNB's proposed restricted insurance licensing regime.

However, FCNB should give itself maximum flexibility to include, at a later date, new types of insurance products which are introduced to the market and are suitable for a restricted licensing regime, without having to go back and re-open legislation or a regulation. This might be accomplished by specifying that the Superintendent of Insurance may add to, or otherwise amend, the types of Business and Eligible Classes and Types of Insurance covered by the restricted insurance licensing regime by issuing an Industry Bulletin or Guidance.

2. Obtaining a Licence: Consultation Questions

2.1 What should the requirements be for obtaining or renewing a restricted insurance licence?

CAFII members are generally comfortable with the Licensing Requirements set out in this section of the consultation paper, with certain notable exceptions as itemized in our responses to other, more specific Consultation Questions below.

In addition, we offer the following points of feedback.

With respect to the requirement that completion of the Application Form include "the number of employees who will be authorized to solicit, negotiate, sell or arrange insurance on behalf of the applicant when and if the licence issued," we strongly recommend that New Brunswick adopt the approach used in Alberta and Saskatchewan where restricted licence applicants with more than 500 employees are required to provide a numerical range for the number of employees who will be authorized to transact insurance, rather than a precise number, because in large employers/licence holders, the relevant number of employees is variable on an ongoing, practically daily basis.

We also recommend that the FCNB's foundational documents for the province's new restricted insurance licensing regime should make it clear that a business can apply for multiple eligible classes or types of insurance on one Application Form; and the Commission's Application Forms should be designed with that in mind.

2.2 Do you foresee any operational challenges with authorizing the Superintendent to obtain a list of employees engaged in the business of insurance and information on any such employee? If so, what do you propose?

Yes, CAFII foresees significant operational challenges with authorizing the Superintendent to obtain a list of employees engaged in the business of insurance. It will be very difficult and onerous for a large restricted insurance licence holder/business, such as CAFII members, to provide such a list because the roster of employees is constantly changing, and HR and IT systems are not structured to provide real-time lists. Any such list of employees provided to the Superintendent would be outdated almost immediately and it would not put the FCNB in a position to make informed, effective decisions.

In addition, should New Brunswick include in its restricted insurance agent licensing regime the requirement to provide such a list upon the Superintendent's request, it would be the only RIA regime in Canada to have such a requirement and, as a result, would be an outlier in this regard (Saskatchewan's RIA regime requires a list of employees but only for applicants with fewer than 500 employees, and only at the time of initial application).

We believe that harmonizing with the Alberta, Saskatchewan, and Manitoba restricted licensing regimes on this point and not including the requirement to provide such a list will in no way compromise consumer protection; and doing so will also allow CAFII members and other insurance businesses to dedicate more of their resources to meeting consumer expectations and enhancing the consumer experience.

In contrast, we do not foresee any such operational challenge in providing the Superintendent with information on a given/specified employee, upon request, within the parameters permitted under applicable privacy legislation.

2.3 What should the requirements be for insurers who sponsor a restricted insurance licence?

CAFII members are generally comfortable with the requirements for insurers who sponsor a restricted insurance licence, as specified under “Sponsorship by an Insurance Company and Duty to Report” as we view them as prudent and reasonable.

2.4 What obligations should be on an insurer whose products are being sold by a restricted insurance licence holder (e.g., establishing policies and procedures and duty to report)?

CAFII members are generally comfortable with the requirements for insurers who sponsor a restricted insurance licence, as specified under “Obligations of Insurer” as we view them as prudent and reasonable.

2.5 What should the eligibility requirements be for a designated representative and what should the process be for replacing a designated representative?

CAFII members are generally comfortable with the eligibility requirements for a Designated Representative and the process for replacing a Designated Representative, as suggested in the consultation paper, as we view them as prudent and reasonable.

However, that said, we have the following points of feedback:

- under “Replacement of a Designated Representative,” the terminology “Submit a new eligible candidate” implies that the Superintendent will have a review and approval/veto function with respect to Designated Representative candidates. However, that sort of authority is not implied elsewhere under “Designated Representative.” CAFII strongly recommends against the Superintendent having a review and approval/veto function with respect to Designated Representatives; and
- for maximum clarity and certainty, we recommend that the FCNB be consistent when specifying periods of time/notice periods in the restricted insurance licensing regime’s foundational documents. In certain places in the document, “15 days” is cited whereas in this section “10 business days” is used. Those two time periods are roughly equivalent, but to avoid any possible confusion and misinterpretation, absolute consistency when referring to time/notice periods would be ideal.

In addition, CAFII members have found that a 15 days/10 business days deadline for reporting Designated Representative changes can be restrictive and onerous in certain circumstances. Therefore, we encourage FCNB to allow 30 days for the reporting of such changes.

2.6 Should the designated representative be fully licensed for the area of insurance that is being offered by the restricted insurance licence holder? For example, should the designated representative for a restricted insurance licence holder offering creditor's life insurance products be required to hold a full life insurance licence?

Because CAFII member financial institutions are both federally and provincially regulated and because their federal powers to sell Authorized Insurance Products across the country stem from the federal *Bank Act* and the *Insurance Business (Banks and Bank Holding Companies) Regulations*, bank distributors of insurance are not permitted to have individually licensed insurance representatives work in their branches. To do so would be a contravention of the above-noted federal statutes.

For that and other compelling reasons, CAFII disagrees with the notion that a Designated Representative for a restricted insurance licence holder should have to hold a full life insurance licence. As the consultation paper states, the role of a Designated Representative is to serve as the “primary contact for the business for regulatory purposes and who is responsible for supervising the activities of the licence holder.” Therefore, the Designated Representative does not need to be an insurance salesperson him/herself and does not need to hold an individual LLQP licence since the competencies associated with being LLQP-certified and holding an insurance licence are not aligned with the responsibilities and expectations of a Designated Representative.

Our Association is opposed to this contemplated requirement, which would impose a limitation upon those who can be appointed as a Designated Representative.

That said, CAFII supports the stated eligibility criteria that the Designated Representative be “a director, officer or management employee of the licence holder” or a partner or the sole proprietor.

2.7 What should the supervisory responsibilities be for a designated representative and what should they be required to report?

CAFII is generally comfortable with the Designated Representative's responsibilities as set out in the consultation document, save and except for the following points of feedback:

- there is a very relevant caveat with respect to errors and omissions insurance for federally regulated financial institutions (see below);
- with respect to the Designated Representative's duty to report “any misconduct with respect to the business of insurance by the employees of the licence holder,” it is imperative that the FCNB clearly define “misconduct” and specify a materiality threshold for this duty. Such parameters are necessary so that minor/insignificant or unintended behaviour that did not cause harm to any consumer/insured or to any other party outside the licence holder business, and which is being dealt with remedially within the business, should not have to be reported;
- we encourage the FCNB to establish in the restricted licensing regime's foundational documents that any licence holder which uses a third party seller/administrator to assist in its business is responsible for overseeing the activities of such contracted third parties and that the responsibilities of the licence holder's Designated Representative extend to such third parties.

2.8 Where a restricted insurance licence holder has multiple locations, in addition to a designated representative, should there be an on-site supervisor of insurance business at each location? If so, what should be the eligibility requirements to be an on-site supervisor? What should be the supervisory responsibilities for an on-site supervisor?

CAFII is opposed to the notion that where a restricted insurance licence holder has multiple locations, there should be an on-site supervisor of insurance business at each location, in addition to an overall Designated Representative. For purposes of the restricted insurance licence, the responsibility for responding to and dealing with the Superintendent/regulator should rest with just one Designated Representative from the business, regardless of where that individual may be located.

2.9 Are the proposed requirements for errors and omissions insurance sufficient? If not, what do you propose?

CAFII notes that the consultation paper fails to take into account the federal *Trust and Loan Companies Act* and other provincial insurance regulators' acknowledgement of the efficacy of that Act. Under the federal *Trust and Loan Companies Act*, federally regulated financial institutions are exempt from having to carry errors and omissions insurance.

We therefore recommend that FCNB harmonize with the restricted insurance licensing regimes in Alberta, Saskatchewan, and Manitoba on this point, by recognizing that FRFIs are exempt from having to carry errors and omissions insurance by the federal *Trust and Loan Companies Act*. For example, section 5-23(2) of Saskatchewan's *The Insurance Regulations* specifies that the immediately preceding clause on the errors and omissions insurance which restricted licence holders are required to hold does not apply to a deposit-taking institution; a financing corporation; or a member institution within the meaning of the Canada Deposit Insurance Corporation Act.

2.10 Do you foresee any operational challenges with requiring an errors and omissions insurer to provide 30 days' notice to the Superintendent before being permitted to cancel or refuse to renew an errors and omissions policy? If so, what do you propose?

Not applicable to CAFII members. See response to 2.9.

2.11 Do you foresee any operational challenges with authorizing the Superintendent to prohibit any person from soliciting, negotiating, selling or arranging insurance on behalf of the restricted insurance licence holder? If so, what do you propose?

Yes, CAFII foresees operational challenges and the potential for decisions that are not fully informed arising from empowering the Superintendent with a blanket authority to prohibit any person from soliciting, negotiating, selling or arranging insurance on behalf of the restricted insurance licence holder.

CAFII believes that a fundamental design principle and benefit of a restricted insurance licensing regime is to allow the Superintendent/regulator to provide licensure and other authorizations at a company-wide level, rather than on an individual level.

However, that would certainly not preclude the Superintendent from bringing any concerns it has about a particular individual employee to a restricted licence holder's attention; and, in such a case, the matter would almost certainly be resolved to the mutual satisfaction of both parties.

In addition, two key potential and legitimate reasons why the Superintendent might want to prohibit a certain employee from being covered under a restricted licence are already covered off under "Prohibitions with Respect to Employees" in the Market Conduct-related section of the consultation document.

As financial institution (FI) distributors of insurance which are both federally and provincially regulated, and which dedicate significant resources to managing reputational risk, CAFII members adhere to the provisions of CLHIA Guidelines and the CBA Code of Conduct for Authorized Insurance Activities in this area. Additionally, FI distributors of insurance have rigorous screening/selection, reference checking, training, and testing procedures in place to ensure that only well-qualified and suitable individuals are involved in consumer-facing and other roles within their businesses.

We therefore believe that the Superintendent should not be empowered to prohibit any individual from being covered under a restricted insurance licence and that a restricted licensure regime should be allowed to operate under its fundamental design principles.

3. Market Conduct, Disclosure Requirements and Right to Rescind: Consultation Questions

3.1 What restrictions or protections should be in place with respect to personal information?

CAFII is generally comfortable with the consumer protections and other provisions set out under “Use of Personal Information” in this section of the consultation paper. That said, we strongly encourage FCNB to harmonize its new restricted licensing regime’s requirements in this area with the federal *Personal Information Protection and Electronic Documents Act (PIPEDA)*.

3.2 What prohibitions should be in place for employees of a restricted insurance licence holder?

CAFII is generally comfortable with the prohibitions set out under “Prohibitions with Respect to Employees” in this section of the consultation paper.

3.3 What, if any, should the prohibitions be related to tied selling?

CAFII is comfortable with the prohibitions related to tied selling as set out in the consultation paper. Tied selling is illegal under the federal *Bank Act* and prohibited under provincial insurance legislation and regulations and CLHIA Guidelines; and CAFII members have rigorous policies and procedures in place to prevent its occurrence.

3.4 With respect to the right of a lender to insist that a borrower purchase insurance to protect the lender, what class or type of insurance should this apply to? Specifically, should it only apply to insurance that protects the lender against default by the borrower?

CAFII believes that the right of a lender to insist that a borrower purchase insurance to protect the lender applies only in the case of business credit facilities, such as an agricultural loan, and with respect to mortgage default insurance when the purchaser’s down payment on the purchase price of real estate is less than 20% of the property’s appraised value. In either case, the financial institution can only require that loan insurance be in place and not that it be secured from any particular provider. The purchase of all other types of insurance should remain completely optional.

3.5 Do you foresee any operational challenges with requiring a separate application for certain classes or types of insurance? If so, what do you propose? To which classes or types of insurance should it apply?

CAFII agrees with and supports the FCNB’s proposed requirement that restricted licence holders and their employees be required to provide the consumer with an Application Form for the insurance coverage, as we agree that doing so will enhance the consumer’s ability to fully appreciate the nature of the insurance being offered and to assess whether the insurance is suitable for their needs.

However, if the FCNB was to require that a separate Application Form be used for each particular type of insurance offered under a restricted licence, CAFII does indeed foresee significant operational challenges arising.

As the consultation paper acknowledges, there are four different types of credit protection/creditor's group insurance which are made available to consumers as an option, and they are typically grouped together on one integrated Application Form. Requiring that each of the types of creditor's group insurance have its own Application Form would lead to a disjointed, confusing, and negative customer experience. That scenario would also create significant new administrative burden for businesses, as Application Forms and processes for New Brunswick would have to be unique as compared to other jurisdictions across the country, the costs of which would inevitably have to be passed on to consumers.

The prescriptive approach which seems to be contemplated by this Consultation Question would constrain insurers' new product development processes, adversely affect the new systems and forms generated by new product development, and ultimately diminish the consumer's experience with a new insurance product, throughout its life cycle.

CAFII believes that requiring a separate Application Form for each class or type of insurance which can be offered under a restricted licence would not produce any consumer protection benefit and we strongly recommend that such a requirement not be adopted.

3.6 Do you foresee any operational challenges with requiring a copy of a completed application to be provided to the consumer upon request? If so, what do you propose? To which classes or types of insurance should it apply?

No, CAFII does not foresee any operational challenges associated with this requirement as it is something that our members routinely do already.

3.7 What should the disclosure requirements be for restricted licence holders and their employees?

CAFII is concerned and troubled by the wording of this Consultation Question when considered in combination with the following proposal in the consultation paper related to disclosure requirements for restricted licence holders and their employees: "inform the consumer of the cost of the insurance and any direct or indirect compensation, inducement or benefit from the insurer to the licence holder or employee for soliciting, negotiating, selling or arranging the insurance."

The way this proposal is worded and positioned, and the way the Consultation Question is posed, seems to imply that all types of compensation must be disclosed to the consumer and that the actual amount received must be disclosed, even if the employee of the restricted licence holder is receiving just straight salary.

If we are interpreting the intent here correctly, we view this proposal as unreasonable and untenable, and one which will cause confusion rather than produce a consumer benefit.

We strongly recommend that FCNB harmonize with Alberta's restricted insurance licence regime on this matter of disclosure to consumers. Clause 15(4) of Alberta's Insurance and Adjusters Regulation specifies that "where a holder of a restricted certificate receives any compensation, inducement or benefit from an insurer, directly or indirectly, for selling insurance, the holder of a restricted certificate must disclose that fact to any person who is considering buying insurance from that holder."

We view Alberta's approach of having the disclosure requirement reside at the level of the restricted licence holder/business entity and requiring disclosure only of the fact that some compensation, inducement, or benefit is being received from an insurer – rather than the specific amount – as a reasonable and prudent approach to disclosure which benefits consumers and does not cause unnecessary confusion.

Our Association is comfortable, however, with the FCNB's proposal that "where the consumer is applying for creditor's disability insurance, creditor's life insurance, creditor's loss of employment insurance, guaranteed asset protection insurance, or mortgage insurance, a restricted insurance licence holder or its employees must provide the consumer with a statement that the duration of the insurance is less than the term of the amortization period of any related loan, or that the amount of the insurance is less than the indebtedness, if that is the case" as doing so is part of the requirements of *CLHIA Guideline G7, Creditor's Group Insurance*, with which our members already comply.

3.8 How long should a consumer have to rescind a contract for a full refund?

CAFII is comfortable with and supports the consultation paper's proposal that a consumer be permitted to rescind the contract/certificate of insurance on or before the expiry of 20 days, from the date the consumer received the policy or certificate; and that a consumer who rescinds the insurance contract within this time is entitled to a full refund of the premium paid.

A 20-day 'review period' for consumers is in keeping with *CLHIA Guideline G7, Creditor's Group Insurance* and adhered to by CAFII members already.

We note, however, that should the FCNB decide to accept CAFII's recommendation that travel insurance be incorporated within the province's restricted insurance licence regime, the 'review period' period will need to be subject to exception/adaptation in the case of consumer travel which is to occur within the review period.

3.9 To which classes or types of insurance should a right to rescind apply?

CAFII is comfortable with the right to rescind applying to all types of creditor's group insurance proposed for inclusion under New Brunswick's restricted insurance licensing regime.

3.10 Please comment on any other matters for consideration on this issue.

Need For An Industry Voice To Advise FCNB On Operating/Maintaining Restricted Insurance Licensing Regime Efficiently And Effectively

CAFII notes that when New Brunswick's proposed restricted insurance licensing regime comes to fruition and is launched, it will be the only such regime in Canada that does not have oversight from an Insurance Council populated by industry representatives to help ensure that the regime is operated, maintained, and adjudicated efficiently and effectively.

Particularly because some adjudication/disciplinary issues are technical in nature and best understood by industry practitioners who have direct experience and expertise in the field, we believe that a Restricted Insurance Licensing Advisory Group would provide FCNB with a valuable mechanism for consultation and advice. Such an Advisory Group has been developed by the Insurance Councils of Saskatchewan, in consultation with industry stakeholders (CAFII and CLHIA), and is being launched in 2020.

CAFII strongly suggests that New Brunswick's new restricted insurance licensing regime would benefit immeasurably from an industry Advisory Group akin to the one about to be launched in Saskatchewan.

Need for Reasonable Lead Time to Prepare For New Licensure Regime

When provinces are finalizing new regulatory changes, and especially when a new licensure regime is being launched, CAFII always requests that lead time of 12 to 18 months be provided to allow for our members' implementation of the required changes.

These changes inevitably become major projects within our member organizations and it takes time to ensure that the necessary systems changes are made, forms revised, staff trained, and consumers notified of how the changes will affect them.

Closing Comments

CAFII has long been a proponent of harmonization and consistency of rules across jurisdictions. We view the established restricted insurance licence regimes in Alberta (since 2000), Saskatchewan (since 2010), and Manitoba (since 2015) as effective and efficient models for other provinces to follow. We therefore urge FCNB to harmonize to the maximum degree possible with the requirements in Alberta, Saskatchewan and Manitoba, which were developed following thorough consultation with CAFII and other industry stakeholders.

CAFII would like to meet with you to discuss our feedback/input on the consultation document, before the proposals advance to the next stage. We would be prepared to meet in-person in Fredericton or by teleconference, as you prefer. Please contact Brendan Wycks, CAFII Co-Executive Director, at brendan.wycks@cafii.com or 647-218-8243 to arrange a meeting at a mutually convenient time.

We look forward to continuing to work with you toward a practical, efficient and effective restricted insurance licence regime in New Brunswick.

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'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 Assurant; Canada Life Assurance; Canadian Premier Life Insurance Company/Valeyo; CUMIS Services Incorporated; and Manulife (The Manufacturers Life Insurance Company).

January 31, 2020

Mr. Mark White, CEO
Financial Services Regulatory Authority of Ontario
5160 Yonge St., 16th Floor
Toronto, ON M2N 6L9

RE: CAFII Response To Consultation on "New FSRA Guidance Framework"

Dear Mr. White:

The Canadian Association of Financial Institutions in Insurance (CAFII) thanks the Financial Services Regulatory Authority of Ontario (FSRA) for the opportunity to provide comments on FSRA's *New Guidance Framework*.

In this submission, we provide our feedback on a number of the major points set out in the consultation information published on FSRA's website.

Purpose, Rationale, and Context

CAFII supports FSRA's purpose and rationale for developing and consulting on a new Guidance Framework, and we agree that standardizing the Authority's approach to guidance will make it easier to do business in the regulated sectors and make FSRA a more effective regulator. We also concur that with the new Guidance Framework in place, it will be easier, after a short acclimatization period, for the public, new entrants to the regulated sectors, and incumbent businesses in the regulated sectors to understand what is legally binding, what is FSRA's interpretation of law, and what information has been communicated simply to provide helpful clarification from the regulator.

As a general observation, CAFII believes that the essential purpose of regulatory Guidance should be to clarify existing legislation and/or regulations, and not to add new prescriptive, rules-based elements which can undermine an otherwise principles/risk-based approach to regulation.

With respect to implementation of the new Guidance Framework, following the October 17/19 to January 31/20 pilot test period, we recommend that FSRA build in an opportunity for further feedback after one to two years of industry experience with the new Framework and that you be open to modifying the approach at that time based on the comments received.

Principles

CAFII supports the Principles which FSRA has articulated as the foundation for its approach to issuing Guidance.

In particular, we were pleased to see the prominent inclusion of the Effective principle, which we view as being inextricably linked to the overarching principles/risk-based approach which FSRA takes to fulfilling its regulatory mission and mandate. Principles-based regulatory effectiveness is also in complete harmony with the International Association of Insurance Supervisors' (IAIS) Insurance Core Principles (ICPs) and international best practices; and it provides the optimal balance between consumer protection and fostering industry innovation and efficient business operations.

We also support the Efficient principle, and FSRA's related commitment to (i) be consistent with a principles/risk-based approach to regulation when an Interpretation Guidance is creating compliance obligations; and (ii) minimize regulatory burden to the maximum degree possible.

That said, CAFII strongly encourages FSRA to consider adding a further foundational Principle to its Guidance Framework: harmonization. By taking an approach to the development and issuance of Guidance which seeks to achieve consistency with existing Guidance issued by other Canadian jurisdictions, and by working collegially with regulators from other jurisdictions on harmonized joint/national Guidance, FSRA can become a recognized leader among financial services regulators in supporting industry innovation, reducing regulatory compliance burden, and allowing businesses to dedicate more of their resources to meeting consumer expectations and enhancing the consumer experience.

Processes and Practices

CAFII supports FSRA's articulation of four distinct categories of Guidance, as we view the set as being comprehensive; the individual categories as largely mutually exclusive; and the definitions of the four categories as clear and understandable.

That said, under the Approach category of Guidance, we ask that FSRA provide more detail and explanation to the industry as to what is meant by "and application of CEO discretion."

As well, we would appreciate receiving clarification responses to the following two questions:

- does FSRA intend to identify which of the four categories a particular Guidance falls under, at the time it is issued?; and
- does FSRA anticipate that a Guidance might, in certain cases, fall under more than one of the four categories?

Governance

CAFII supports and appreciates FSRA's stated intention, consistent with the Transparent Principle, to consult publicly on Interpretation and Approach Guidance unless immediate action is required; and to consult on Information Guidance as needed.

We also strongly support FSRA's stated intention to review issued Guidance regularly.

However, that said, in a fintech/insurtech environment where change is constant, an outer limit of five years for such reviews seems too long. We recommend that FSRA change the Review Timeline to "at least once every three years."

Transition

CAFII was pleased to see and supports FSRA's stated intention to initiate and complete a review of all existing Guidance based on the lessons learned through the pilot test period, before the end of March 2020. In that connection, if FSRA determines that Guidance previously issued by the Financial Services Commission of Ontario (FSCO) or the Deposit Insurance Corporation of Ontario (DICO) should continue to apply, we recommend that such Guidance should be re-branded on FSRA letterhead and re-issued/re-published by FSRA, so as to avoid any possible confusion in the minds of the public or the regulated sectors as to whether Guidance from previous regulatory regimes continues to apply in the FSRA era.

Conclusion

CAFII once again extends congratulations to FSRA's management team and Board on a relatively seamless and successful launch as Ontario's new financial services regulator in June 2019, and on already achieving a number of the key milestones. We applaud the fact that a highly competent and experienced FSRA executive team has been appointed and is tackling the operational and strategic challenges of a start-up regulator with an ambitious transformation mandate. FSRA and its leaders are indeed "walking the talk" in doing the right things and doing things right -- by planning and acting in accordance with principles-based and outcomes-focused regulation which benefits industry and consumers alike, and by having a prominent initial focus on burden reduction and regulatory effectiveness.

Thank you again for the opportunity to provide input and feedback on the *New FSRA Guidance Framework*. Should you require further information from CAFII or wish to meet with representatives from our Association at any time, please contact Brendan Wycks, CAFII Co-Executive Director, at brendan.wycks@cafii.com or 647-218-8243.

CAFII and its members remain committed to supporting FSRA in its critically important mission and mandate; and we look forward to continuing our involvement as key stakeholder contributors to the Authority's ongoing success.

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 credit protection insurance across Canada. In particular, credit protection insurance and travel health 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's 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/Valeyo, CUMIS Services Incorporated, Manulife (The Manufacturers Life Insurance Company), and The Canada Life Assurance Company.

CAFII Executive Operations Committee
Tuesday, January 21, 2020
Held at BMO Insurance
6th Floor Boardroom, 60 Yonge St. Toronto ON
MINUTES

EOC Present: Martin Boyle, BMO Insurance *Chair*
John Lewsen, BMO Insurance
Brad Kuiper, Scotiabank Financial
Peter Thorn, TD Insurance
Tony Pergola, Scotiabank Financial *Treasurer (by teleconference)*
Monika Spudis, Manulife Financial
Sharon Apt, Canada Life Assurance
Joanna Onia, CIBC Insurance
Afzal Baig, TD Insurance
Scott Kirby, TD Insurance *(by teleconference)*
Laura Bedford, RBC Insurance
Charles Blaquiere, Canadian Premier Life/Valeyo
Rob Dobbins, Assurant
Anita Mukherjee, RBC Insurance
Andrea Stuska, TD Insurance
Vivek Sahni, RBC Insurance
Vikram Malik, Sunlife
Anaar Jessa, Sunlife
Michelle Costello, CUMIS
Kamana Tripathi, TD Insurance
Dallas Ewen, Canada Life Assurance *(by teleconference)*
Marie Nadeau *(by teleconference)*

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

1. Call to Order

The meeting was called to order at 2:35 p.m.; M. Boyle acted as Chair; N. Hill acted as Recording Secretary.

EOC Chair M. Boyle welcomed all attendees to this meeting, in particular V. Malik and A. Jessa of Sun Life Financial who were attending as guest observers.

2. Consent Items

A series of consent items were received for the record without further discussion. These included Regulatory Update; Consultations/Submissions Timetable; Regulator and Policy-Maker Visit Plan; Summary of Board and EOC Action Items; and CAFII Meeting Request Letter To AMF Re Credit Card-Embedded/Inclusive Benefits.

3. Governance Matters

a. Draft Minutes of November 19/19 EOC Meeting

The minutes of the 19 November, 2019 EOC in-person meeting were approved, as circulated.

b. Draft Minutes of December 3/19 CAFII Board Meeting

The EOC endorsed the draft minutes of the 3 December, 2019 CAFII Board, for presentation to the Board for approval at its next in-person meeting.

c. CAFII Research & Education Committee Chair Appointment

K. Martin reported that D. Quigley, after six impactful years as chair of the Research & Education Committee, would be stepping down. He also advised that A. Stuska had agreed to be nominated for appointment as the new Chair of the Committee.

The EOC unanimously appointed A. Stuska as the new chair of the Research & Education Committee.

d. Application Review and Admission of Sun Life Financial As A CAFII Initiation Member

B. Wycks reported that CAFII had received an Initiation Membership application from Sun Life Financial. On January 22/20, a CAFII Member Applicant Review Committee would be meeting with Sun Life officials to discuss its application.

It was noted that two Sun Life Financial staff executives, V. Malik and A. Jessa, were attending today's EOC meeting as guest observers, and they would both also be attending tonight's EOC Appreciation Dinner. EOC members warmly welcomed the two Sun Life Financial representatives to today's meeting.

e. Launch of EOC Working Group to Explore A New Lower Dues Category Of CAFII Membership

M. Boyle recalled that an issue had arisen where some firms that were interested in joining CAFII felt that the dues structure for smaller firms was too high. To explore whether new/alternate membership dues categories could be created to address this issue, a Working Group to explore a new lower dues category of CAFII membership would be struck. B. Wycks noted that some individuals had already indicated a willingness to serve on the Committee, and that further details would be forthcoming.

f. Date And Agenda Items For CAFII Special Purpose Board Teleconference Meeting

B. Wycks advised that a CAFII Special Purpose Board Teleconference Meeting was being planned to deal with a series of items that could not wait until the next regularly scheduled Board meeting on April 7/20. Those items included Sun Life Financial's Initiation Membership application; approval of a revised budget, which would include a Board decision on whether to approve a membership dues increase; and formal motions to capture in Board minutes decisions which were reached in the previous Board meeting's *in camera* session, such as the decision to proceed with a CAFII quarterly benchmarking study on credit protection insurance and to award the related actuarial services contract to RSM Canada.

4. Financial Management Matters

a. Financial Statements as at December 31/19 (full 2019 fiscal year)

CAFII Treasurer T. Pergola reported that the Association's overall financial situation remains strong. As the 2019 fiscal year was being closed, the Association's financial reserves ratio was at the lower end of the target range of between 25% and 50% of annual operating expenses.

Additional Membership and Associate Dues revenue and prudent cost management over the course of 2019 had put CAFII in a good fiscal position.

b. Revised Draft CAFII 2020 Operating Budget

T. Pergola advised that revisions were still being made to the Draft 2020 CAFII Operating Budget and for that reason it had not been posted with the materials for today's meeting.

5. Committee Updates

a. Research & Education

i. 2020 Research Options

K. Martin reported that a \$60,000 line item for research was in the proposed CAFII 2020 Operating Budget. There was also a new line item that would need to be included in the operating budget, which was \$60K for the Quarterly Benchmarking Study. While that new initiative is research-related, most of its output will be for internal use, so there is still a strong argument to be made for retaining the \$60K line item for original research that can be shared publicly and with regulators. There are many options available for how to spend that research provision, but the detailed discussion by the R&E Committee on which options are best will necessarily have to await the Board's decision on the budget allocation for research in 2020.

b. Market Conduct & Licensing

B. Kuiper reported that the Market Conduct & Licensing Committee is currently working on finalizing two written submissions, one to the FCNB on its consultation on a proposed RIA regime; the other to FSRA on its consultation on a new guidance framework.

c. Media Advocacy

i. 2020 Website Enhancements

C. Blaquiére reported that the Media Advocacy Committee was recommending that the 2020 website budget remain at \$35,000, with the intention of continuing with the strategy of investing in the website, including the production of more videos and other content to make it an ever-richer site for consumers and for promoting key messages about credit protection insurance.

RankHigher has shared its proposals for CAFII 2020 website investments, and they are very aligned with this proposed strategy. B. Wycks noted that TD Insurance has shared that it is exploring using some of the CAFII website videos for internal training, which is a positive affirmation of the value of those videos.

i. Opportunity For CAFII CPI Opinion Piece In Canadian Business Quarterly

K. Martin updated the EOC on an opportunity for CAFII to submit an opinion piece/column to a business-friendly, online publication called the Canadian Business Quarterly.

CBQ has 55,000 online subscribers, and a submission would provide CAFII with an opportunity to get some of its key messages out. Media Consultant David Moorcroft has recommended proceeding with the opportunity to make a submission.

The EOC was supportive of moving forward with this opportunity, but there was feedback that it should be an objective piece, and not a marketing pitch; and that it should not be overly reliant on the 2018 Pollara research on credit protection insurance, as that research was becoming dated.

6. Recent and Upcoming Strategic and Regulatory Initiatives

a. CAFII-Requested Early 2020 Meeting with FCAC Staff Executives For CAFII Presentation On “Credit Protection/Authorized Insurance Products Sales and Fair Treatment of Consumers”

B. Wycks reported that the response to the request to present to the FCAC took much longer than expected, and that they have now responded with a date of 5 February 2020. There was a strong view expressed by EOC members that the February 5 date would provide insufficient lead time for CAFII’s preparation for the meeting. It was strongly recommended that CAFII ask the FCAC to offer a new date for the meeting, later in February or early March.

i. Engagement of Dog and Pony Studios For Preparation Of Professional Calibre Presentation Deck

K. Martin reported that the CAFII Board had called for the engagement of a “professional story-telling firm” to assist CAFII in the development of the deck for the Association’s upcoming presentation meeting with the Financial Consumer Agency of Canada (FCAC) on credit protection insurance sales practices and related fair treatment of customers considerations.

A CAFII member had previously used such a firm, called Dog and Pony Studios. K. Martin and B. Wycks interviewed its CEO, Chris Davies, and were very impressed by the approach he recommended, and by his knowledge of the industry. Dog and Pony Studios had therefore been retained by CAFII, and the firm has been provided with a lot of background material, and is busy preparing a first draft of the deck.

ii. Launch of CPI Sales Subject Matter Experts Working Group To Provide Feedback On Content and Design Of Dog and Pony Studios-Developed Presentation Deck For FCAC Meeting

Dog and Pony Studios have recommended that a CAFII Working Group review the deck they are presenting only when it is more advanced. K. Martin and B. Wycks will assist them in getting the deck to the appropriate stage, after which a meeting of the Working Group will be called. K. Martin asked for EOC members who are interested in joining such a Working Group to let him know of their interest.

iii. Engagement of Willis Towers Watson To Provide Key Data Points For Presentation Deck

The CAFII Board has recommended that the data collected from CAFII members, as part of the regular Willis Towers Watson benchmarking study, could be interesting material to include in the FCAC presentation deck. Willis Towers Watson has been retained to prepare this material for CAFII, and it will be available for inclusion in the FCAC presentation deck being developed by Dog and Pony Studios.

b. CAFII Launch Of Quarterly Credit Protection Insurance Benchmarking Study – Update and Next Steps

K. Martin recalled that RSM Canada is the actuarial firm which was selected to provide actuarial services to CAFII with respect to the Association’s new quarterly credit protection insurance benchmarking study.

An initial kick-off meeting was held with RSM Canada on 13 January, 2020 and the project is moving forward. The legal contract with RSM Canada is still being negotiated around some technical provisions, but that is not holding up the work effort. RSM Canada is aware of the desire, over time, to try to improve the quality of the data in the study. When the time is right to work on that element, a Working Group will be created to engage with RSM Canada on that effort.

c. CAFII Credit Protection Insurance Industry Best Practices Working Group: Progress Report

M. Boyle reminded EOC members that the CAFII CPI Industry Best Practices Working Group was developed at the recommendation of the Board, flowing out of the Helen Troup visit and the preliminary work on a possible CAFII Special Project. Much progress has been made, and the Working Group has been focused on sub-groups called Workstreams that are tackling individual components of the overall effort. One Workstream, on sales practices, is too large; and, as such, it has been broken out into five smaller Workstreams. The intention is to add detail to the overall plans developed, and ultimately to present recommendations to the Board later in 2020.

d. AMF December 20/19 Communique Re Operational Incident Reporting

M. Boyle reported that the AMF had sent a letter to insurers in December 2019 around their reporting on operational incidents. He felt that the AMF had not provided industry with necessary materiality thresholds for company reporting on operational incidents; and that, as a result, the trigger for reporting to the AMF could be too low.

EOC discussion ensued as to whether a letter to the AMF might be warranted. It was noted that two related letters had been sent to industry, with the first one dating back to July 2019; and the two letters were not entirely consistent with each other.

As an Action Item, it was agreed that the two letters would be distributed to EOC members, and that there would be further discussion about this issue and a determination reached as to what action, if any, CAFII should take on this matter.

e. AMF Review of Critical Illness Insurance

M Boyle provided a brief update on the AMF's two critical illness insurance-related surveys, completion of which had been required by 15 January, 2020. The CLHIA intended to provide a written submission to the AMF on some concerns it had with the surveys.

f. CAFII Views/Arguments Content To Be Used In Meeting With AMF On Credit Card-Embedded/Inclusive Benefits

B. Wycks mentioned he had recently sent a request to have a meeting with the AMF on credit card-embedded insurance benefits, and was waiting for a response. A document outlining the legal and technical arguments to be potentially used had been circulated, and would be updated based on feedback received.

K. Martin indicated that after the feedback is incorporated into an updated version of the CAFII Views/Arguments document, Norton Rose Fulbright would be asked to offer their legal advice on the document.

There will also be CAFII meetings to determine the approach that CAFII should take to the AMF meeting, and what we want to say and what we should avoid saying. There will be a Working Group created to specifically review and consider the approach to take with the AMF on this issue.

g. Proposed Approach and Target Dates For CAFII Spring 2020 Atlantic Canada Insurance Regulators and Policy-Makers Visits

B. Wycks gave an update on the intention to have a CAFII Atlantic Canada Insurance Regulators and Policy-Makers Visits Tour in the Spring of 2020. It was noted that regular visits (no less than once every two years) to regulators and policy-makers in their own jurisdictions was part of the Board-approved CAFII strategic plan. There were many benefits, including getting CAFII's message out to regulators, who all speak with each other.

In discussion of this matter, EOC members expressed the view that there were so many CAFII priorities right now, consideration should be given to postponing the Atlantic Canada Visits Tour. It was agreed that options around the Atlantic Canada visits in terms of timing should be shared with EOC members, and a further discussion on this should occur at a subsequent EOC meeting.

7. Other Business

a. Possible CAFII Working Group on Regulatory Relationship-Building, Communications, and Advocacy with The AMF Re Credit Card-Embedded Insurance Benefits

P. Thorn introduced an issue he had previously raised with CAFII management, around the benefits of a striking a CAFII Working Group that would review the approach to take and options available on dealing/working with the AMF on the issue of the applicability of the Regulation respecting Alternative Distribution Methods (RADM) to credit card-embedded insurance benefits.

In EOC discussion of the possible *CAFII Working Group on Regulatory Relationship-Building, Communications, and Advocacy with The AMF Re Credit Card-Embedded Insurance Benefits* proposed by P. Thorn, it was agreed that such a Working Group was a good idea and one that CAFII act upon.

8. Termination

There being no further business, the meeting was terminated at 4:50 p.m.

Summary of CAFII Board and EOC Action Items					
	Source	Action Item	Responsible	Deadline	Status November 26, 2019
		AMF Quebec			
1	EOC January 21, 2020	Distribute AMF's December 2019 and July 2019 letters re Operational Incident Reporting to all EOC members; and place this matter on agenda for February 25, 2020 EOC teleconference meeting for further discussion.	B. Wycks/K. Martin	21-Feb-20	Complete
2	EOC January 21, 2020	Take necessary steps to launch CAFII Working Group on Regulatory Relationship-Building, Communications, and Advocacy With The AMF Re Credit Card-Embedded Insurance Benefits, taking into account CAFII Board feedback on this proposed initiative and Board direction on next steps to be taken on this issue with the AMF.	K. Martin	6-Mar-20	In progress
		Atlantic Canada Insurance Regulators and Policy-Makers			
3	EOC January 21, 2020	Prepare a revised Options document re a 2020 CAFII Atlantic Canada Insurance Regulators and Policy-Makers Visits Tour, taking EOC input into account.	B. Wycks	24-Mar-20	In progress
		Association Strategy and Governance			
4	EOC and Board: October 2019	Launch CAFII EOC Working Group to Explore a New Lower Dues Category of CAFII Membership, via a first meeting and a draft Terms of Reference for this Working Group.	B. Wycks/K. Martin	13-Mar-20	In progress
5	EOC May 29, 2018	Develop a summary job description for the CAFII EOC Chair role and circulate it to EOC Members.	Brendan, Keith	30-Jun-20	In progress
6	EOC February 27, 2018	Document in writing the process for reviewing, approving, and admitting applicants for CAFII Members and Associate status	Brendan	30-Jun-20	In progress

Agenda Item 3(c)
February 25/20 EOC Meeting

CAFII Board Decisions Reached In February 10/20 Special Purpose Teleconference Meeting

2.1 Sun Life Financial Application for CAFII Initiation Membership and Appointment of CAFII Director

- (i) The Board unanimously approved Sun Life Financial's application for admission to CAFII Initiation Membership.
- (ii) The Board unanimously appointed Sophie Ouellet as Sun Life Financial's Director on the CAFII Board.

2.2 Appointment of a CAFII Director

The Board unanimously appointed Andre Langlois as Desjardins Financial Security's Director on the CAFII Board.

2.3 Formal Approval of CAFII Quarterly Benchmarking Study on Credit Protection Insurance

The Board unanimously approved motions which

- (i) authorized CAFII management to proceed with the launch of a CAFII quarterly benchmarking study on credit protection insurance; and
- (ii) selected/appointed RSM Canada as the firm which will provide actuarial services for the CAFII quarterly benchmarking study on credit protection insurance.

2.4 CAFII 2020 Operating Budget

The Board unanimously approved a motion which selected Option #3 of the three proposed 2020 CAFII Operating Budget options. The Board-approved 2020 CAFII Operating Budget includes

- a 5% Member Dues increase;
- total Revenue of \$908,920;
- total Expenses of \$883,845
- net income of \$25,075

***Agenda Item 3(f)
February 25/20 EOC Meeting***

From: Brendan Wycks
Sent: January-14-20 5:20 PM
To: CAFII EOC Members
Cc: Natalie Hill (info) <info@cafii.com>
Subject: Call For EOC Volunteers For A CAFII Working Group To Explore A New Permanent Lower Dues Category Of CAFII Membership

CAFII EOC Members:

By way of reminder, please see the invitation/call message of November 19/19 below with respect to a *CAFII Working Group To Explore A New Permanent Lower Dues Category of CAFII Membership* and the related background document attached.

So far, EOC member Joanna Onia from CIBC Insurance has volunteered to join EOC Chair Martin Boyle, Keith Martin, and me on the short-term, task-specific Working Group envisioned.

We would like to secure at least two additional EOC member volunteers, from other member companies, to round out the Working Group; and to be in a position to have it begin its work shortly.

Please consider this request as part of your preparation for the EOC's Tuesday, January 21/20 in-person meeting, where this Board-mandated initiative will be on the agenda.

Brendan Wycks, BA, MBA, CAE

Co-Executive Director

Canadian Association of Financial Institutions in Insurance

From: Brendan Wycks
Sent: November-19-19 1:58 PM
To: CAFII EOC Members
Cc: Natalie Hill (info) <info@cafii.com>
Subject: Call For EOC Volunteers For A CAFII Working Group To Explore A New Permanent Lower Dues Category Of CAFII Membership

CAFII EOC Members:

As per the CAFII Board's approval at its October 1/19 meeting and preliminary EOC discussion at its October 29/19 meeting, this is a call for EOC member volunteers who would like to serve on an EOC Working Group To Explore A New Permanent Lower Dues Category Of CAFII Membership.

The attached document serves as partial background/context-setter on this need/issue, but what is described therein is an example only of what this EOC Working Group will be tackling.

Please consider this opportunity and reply by Friday, November 22 to EOC Chair Martin Boyle, Keith Martin, and me to indicate whether or not you would like to serve on this EOC Working Group. Follow-up contact will be made shortly thereafter with those EOC Members who indicate an interest in serving on this new, mandate-specific EOC Working Group.

Brendan Wycks, BA, MBA, CAE

Co-Executive Director

Canadian Association of Financial Institutions in Insurance

Concept Proposal For CAFII “Affiliate Membership” Category
CONFIDENTIAL DRAFT ONLY (not for distribution beyond CAFII EOC and Board Members)

Eligibility

Companies/organizations which are distributors and/or underwriters/manufacturers of creditor’s group insurance and/or other forms of life and health insurance sold through alternate distribution channels in Canada; and which support the mission, vision, and values of the Canadian Association of Financial Institutions in Insurance may apply for admission as a “CAFII Initiation Member.”

Affiliate Membership applicants cannot have previously been a Member of CAFII, an Initiation Member of CAFII, or an Affiliate Member of CAFII.

Term

CAFII Affiliate Membership status is limited to one membership year, following which the related Affiliate Membership Dues Incentive shall cease, and the Affiliate Member must transition to CAFII Initiation Member status or depart as a Member of the Association.

Affiliate Membership Dues Incentive

An applicant approved by the CAFII Board for Affiliate Membership status will pay, for one year only, a discounted level of Member Dues which shall be set by the Association’s Board of Directors annually at its October or late November/early December meeting.

For the balance of 2019 and for 2020, it is recommended that the level of the Affiliate Membership Dues for those calendar/membership years be set at 67% of the lower tier (<\$75 billion of corporate family financial assets) of CAFII Initiation Member Dues.

Affiliate Membership Dues for 2019 and 2020 would therefore be calculated as follows: \$22,000 X .67 = \$14,740 (payable in two semi-annual instalments of \$7,370).

In the case of an Affiliate Membership application received after March 31 in a given year, CAFII may prorate the Affiliate Membership Dues based on the number of months remaining in the year.

Privileges and Benefits

The privileges and benefits of CAFII Affiliate Member status shall be the following:

- participation/involvement in the Association's Executive Operations Committee (EOC) and other committees;
- silent observer status-only at CAFII Board of Directors meetings (an Affiliate Member's observer representative(s) may be invited to speak at a Board meeting by the Board Chair);
- input to and involvement in CAFII submissions to insurance regulators and policy-makers;
- participation/involvement in CAFII regulator and policy-maker meetings and visits tours; and
- preferred access to CAFII-commissioned research results, etc.

The following limitations on the privileges and benefits of CAFII Affiliate Membership shall apply:

- an Affiliate Member representative may not serve as Chair of the CAFII Executive Operations Committee/Secretary to the Board.

Application Process

CAFII Affiliate Membership applicants must apply using the CAFII Affiliate Membership Application Form and submit the completed Form to CAFII's Co-Executive Directors; and, in addition,

- submit any additional information which may be requested on behalf of the CAFII Board of Directors; and
- undergo a review/vetting process which will include an interview between members of the applicant's senior management team and a CAFII membership review committee.

The CAFII Board of Directors will review and make a determination on all Affiliate Membership applicants, with the benefit of a recommendation from the Association's membership review committee. The decision of the CAFII Board of Directors shall be final.

CAFII

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

Statement of Operations As at Jan 31, 2020

	Current Month	Budget Jan-20	Variance to Monthly Budget	Current YTD	Budget '20 YTD	Variance Budget to YTD	Budget 2020
Revenue							
Membership Dues	\$75,727	\$75,727	\$0	\$75,727	\$75,727	\$0	\$908,720
Luncheon Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest Revenue	\$71	\$17	\$54	\$71	\$17	\$54	\$200
TOTAL REVENUE	\$75,798	\$75,743	\$54	\$75,798	\$75,743	\$54	\$908,920
Expenses							
Management Fees	\$40,565	\$39,582	(\$982)	\$40,565	\$39,582	(\$982)	\$474,989
CAFII Legal Fees/Corporate Governan	\$0	\$0	\$0	\$0	\$0	\$0	\$20,000
Audit Fees	\$1,271	\$1,271	(\$0)	\$1,271	\$1,271	(\$0)	\$15,247
Insurance	\$449	\$458	\$9	\$449	\$458	\$9	\$5,500
Website Ongoing Maintenance	\$458	\$458	\$0	\$458	\$458	\$0	\$5,500
Telephone/Fax/Internet	\$771	\$483	(\$288)	\$771	\$483	(\$288)	\$5,800
Postage/Courier	\$0	\$21	\$21	\$0	\$21	\$21	\$250
Office Expenses	\$155	\$167	\$12	\$155	\$167	\$12	\$2,000
Bank Charges	\$87	\$16	(\$71)	\$87	\$16	(\$71)	\$190
Miscellaneous Expenses	\$0	\$42	\$42	\$0	\$42	\$42	\$500
Depreciation Computer/Office Equipm	\$95	\$100	\$5	\$95	\$100	\$5	\$1,200
Board/EOC/AGM							
Annual Members Lunch	\$0	\$0	\$0	\$0	\$0	\$0	\$12,400
Board Hosting (External)	\$0	\$0	\$0	\$0	\$0	\$0	\$22,500
Board/EOC/Meeting Expenses	\$831	\$3,292	\$2,461	\$831	\$3,292	\$2,461	\$39,500
Industry Events	\$0	\$0	\$0	\$0	\$0	\$0	\$1,300
EOC Annual Appreciation Dinner	\$4,244	\$4,244	(\$0)	\$4,244	\$4,244	\$0	\$4,244
Sub Total Board/EOC/AGM	5,075	7,536	2,460	5,075	7,536	2,460	79,944
Provincial Regulatory Visits	\$0	\$0	\$0	\$0	\$0	\$0	\$12,875
Research/Studies	\$0	\$5,000	\$5,000	\$0	\$5,000	\$5,000	\$60,000
Website SEO and Enhancements	\$147	\$3,496	\$3,349	\$147	\$3,496	\$3,349	\$41,950
Regulatory Model(s)	\$0	\$0	\$0	\$0	\$0	\$0	\$15,000
Federal Financial Reform	\$0	\$625	\$625	\$0	\$625	\$625	\$7,500
CAFII Benchmarking Study/RSM Canada	\$0	\$5,650	\$5,650	\$0	\$5,650	\$5,650	\$67,800
FCAC Presentation	\$0	\$1,883	\$1,883	\$0	\$1,883	\$1,883	\$22,600
Media Outreach	\$2,260	\$3,008	\$748	\$2,260	\$3,008	\$748	\$36,100
Marketing Collateral	\$3,955	\$0	(\$3,955)	\$3,955	\$0	(\$3,955)	\$5,000
CAFII Reception Events	\$0	\$0	\$0	\$0	\$0	\$0	\$900
Speaker fees & travel	\$0	\$0	\$0	\$0	\$0	\$0	\$2,000
Gifts	\$0	\$0	\$0	\$0	\$0	\$0	\$500
Networking Events	\$0	\$0	\$0	\$0	\$0	\$0	\$500
Sub Total Networking & Events	-	-	-	-	-	-	3,000
TOTAL EXPENSE	55,288	69,796	14,508	55,288	69,796	14,509	883,845
NET INCOME	20,510	5,947	14,563	20,510	5,947	14,563	25,075

Explanatory Notes:

- 1 - Amortization of office equipment based on 4 year straight line depreciation
- 2 - Management fees includes Managing 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 Jan 31, 2020

	CAFII Operations		CCBPI Project		Combined	
	31-Jan 2019	31-Dec 2019	31-Jan 2019	31-Dec 2019	31-Jan 2019	31-Dec 2019
ASSETS						
Current Assets						
Bank Balance	\$193,539	\$251,549	\$0	\$0	\$193,539	\$251,549
Savings Account	\$957	\$887	\$113,143	\$113,143	\$114,100	\$114,030
Accounts Receivable	\$0	\$0	\$0	\$0	\$0	\$0
Prepaid Expenses	\$1,795	\$3,251	\$0	\$0	\$1,795	\$3,251
Computer/Office Equipment	\$8,014	\$8,014	\$0	\$0	\$8,014	\$8,014
Accumulated Depreciation -Comp/Equip	(\$5,836)	(\$5,742)	\$0	\$0	(\$5,836)	(\$5,742)
Total Current Assets	\$198,469	\$257,959	\$113,143	\$113,143	\$311,612	\$371,102
TOTAL ASSETS	\$198,469	\$257,959	\$113,143	\$113,143	\$311,612	\$371,102
LIABILITIES						
Current Liabilities						
Accrued Liabilities	\$7,413	\$14,899	\$85,226	\$85,226	\$92,639	\$100,125
Credit Card	\$288	\$1,223	\$0	\$0	\$288	\$1,223
Account Payable	\$15,761	\$11,613	\$0	\$0	\$15,761	\$11,613
Deferred Revenue	(\$75,727)	\$0	\$27,917	\$27,917	(\$47,810)	\$27,917
Total Current liabilities	(\$52,265)	\$23,215	\$113,143	\$113,143	\$60,879	\$140,879
TOTAL LIABILITIES	(\$52,265)	\$23,215	\$113,143	\$113,143	\$60,879	\$140,879
UNRESTRICTED NET ASSETS						
Unrestricted Net Assets, beginning of year	\$230,223	\$170,198	\$0	\$0	\$230,223	\$170,198
Excess of revenue over expenses	\$20,510	\$60,025	\$0	\$0	\$20,510	\$60,025
Total Unrestricted Net Assets	\$250,733	\$234,743	\$0	\$0	\$250,733	\$230,223
Total Unrestricted Net Assets	\$250,733	\$234,743	\$0	\$0	\$250,733	\$230,223
TOTAL LIABILITIES AND UNRESTRICTED	\$198,468	\$257,959	\$113,143	\$113,143	\$311,612	\$371,102

Financial Reserves Targets as per 2019 Budget:	
Minimum 3 months (25%) of Annual Operating Expenses=	\$220,961
Maximum 6 months (50%) of Annual Operating Expenses=	\$441,923
Current Level of Financial Reserves (total unrestricted net as	\$250,733
Current Level of Financials Reserve (%):	28%

CCBPI initiative
Invoice paid to Sukernan Elliott on 19th December 2019 for Consulting Services incurred to date (31 October 2019) for \$92,113.81 (\$81,516.65 plus HST).
Invoice to be paid to Norton Rose Fulbright in Feb 2020 for Consulting Services incurred to date (30 November 2019) for \$85,226.13 (\$75,421.35 plus HST).

C A F I I

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

Membership Fees

As At January 31st, 2020

		<u>Feb-20</u>		<u>Feb-20</u>	
		<u>To be billed</u>	<u>Received</u>	<u>To be billed</u>	<u>Received</u>
BMO Bank of Montreal	2020 Upper Tier Member	\$ 38,554.95		\$ 38,554.95	
CIBC Insurance	2020 Upper Tier Member	\$ 38,554.95		\$ 38,554.95	
RBC Insurance	2020 Upper Tier Member	\$ 38,554.95		\$ 38,554.95	
ScotiaLife Financial	2020 Upper Tier Member	\$ 38,554.95		\$ 38,554.95	
TD Insurance	2020 Upper Tier Member	\$ 38,554.95		\$ 38,554.95	
Desjardins Financial Security Life Assurance Company	2020 Upper Tier Member	\$ 38,554.95		\$ 38,554.95	
National Bank Life Insurance Company	2020 Upper Tier Member	\$ 38,554.95		\$ 38,554.95	
Manulife Financial	2020 Upper Tier Member	\$ 38,554.95		\$ 38,554.95	
The Canada Life Assurance Company	2020 Upper Tier Member	\$ 38,554.95		\$ 38,554.95	
Assurant Solutions	2020 Lower Tier Member	\$ 19,277.48		\$ 19,277.48	
Canadian Premier Life Insurance Company	2020 Lower Tier Member	\$ 19,277.48		\$ 19,277.48	
Cumis Group Ltd/Co-operators Life Insurance Co.	2020 Lower Tier Member	\$ 19,277.48		\$ 19,277.48	
Sun Life Financial	2020 Initiation Members (Upper Tier)	\$ 23,132.97		\$ 23,132.97	
RSM Canada	Associate	\$ 4,800.00			
Willis Towers Watson	Associate	\$ 4,800.00			
KPMG MSLP	Associate	\$ 4,800.00			
Munich Reinsuranace Company Canada Branch (Life)	Associate	\$ 4,800.00			
Optima Communications	Associate	\$ 4,800.00			
RGA Life Reinsurance Company of Canada	Associate	\$ 4,800.00			
Torys LLP	Associate	\$ 4,800.00			
PWC	Associate	\$ 4,800.00			
RankHigher.ca	Associate	\$ 4,800.00			
TBC	Associate	\$ 4,800.00			
TBC	Associate	\$ 4,800.00			
Feb Invoices		\$480,760		\$427,960	
July Invoices		\$427,960			
Total Membership Fees		\$908,720			
Total amount to realocate monthly Jan-Sept		\$ 75,727			
Total amount to realocate monthly Oct-Dec		\$ 75,727			

Agenda Item 4(b)

February 25/20 EOC Teleconference Meeting

Timelines for KPMG Audit of CAFII 2019 Fiscal Year Financial Statements

- KPMG Engagement Letter signed by Co-Executive Directors on Feb 13/20.
- KPMG to be onsite at CAFII office starting Feb 19/20.
- Draft Audited Financial Statements ready for presentation to the EOC at its meeting on Tuesday, March 24/20 (to be posted to meeting site by March 17/20).
- Draft Audited Financial Statements (revised?) presented to the Board of Directors for approval at its meeting on Tuesday, April 7/20 (to be posted to meeting site by March 31/20).
- Final Audited Financial Statements presented to CAFII membership for approval at the Annual Meeting of Members on Tuesday, June 9/20 (to be finalized for circulation as part of the Annual Meeting materials package by April 28/20).

Agenda Item 5(a)(i)
February 25/20 EOC Teleconference Meeting

Summary Report, Analysis, and Insights Gained From February 11/20 CAFII Meeting With The AMF

On Applicability Of The Regulation respecting Alternative Distribution Methods

To Credit Card-Embedded Insurance Benefits

Background

CAFII met with AMF officials in Quebec City on 11 February, 2020 to discuss the apparent AMF position that the Regulation respecting Alternative Distribution Methods (RADM) applies to credit card-embedded insurance benefits.

Participants

From the AMF

Mario Beaudoin, Directeur des pratiques de distribution alternatives en assurance (Director of Alternative Distribution Practices in Insurance)—*reports to Louise Gauthier – who reports to Frédéric Pérodeau*

Isabelle Berthiaume, Directrice de la surveillance prudentielle des assureurs (Director of Prudential Supervision of Insurers) – *reports to Nathalie Sirois – who reports to Patrick Déry*
Sharon Boucher, Analyst on Mario Beaudoin's team—took notes at the meeting

From CAFII

Isabelle Choquette, Desjardins Financial Security
Alain Camirand, TD Insurance
Karyn Kasperski, RBC Insurance
Rob Dobbins, Assurant
Martin Boyle, BMO Insurance (on the phone)
Brendan Wycks, CAFII
Keith Martin, CAFII

Key Takeaways

- The AMF's view is that any and all forms of insurance offered or otherwise provided to Quebec consumers have to be regulated. Insurance must either be offered through licensed agents, or be subject to the Regulation respecting Alternative Distribution Methods (RADM). **As a result, it is the view of the AMF that credit card-embedded insurance benefits are subject to the provisions of the RADM.**
- The AMF is aware that there are "challenges" in terms of credit card-embedded coverages and "how to make it fit" into the RADM, and the AMF wants to be "flexible" in how the RADM applies to this product. However, all the provisions of the RADM must apply.

- The AMF did say that the long-term solution is to look at possible modifications to the Regulation, but such changes take a long time and Mr. Beaudoin did not think that was something that would happen in the near future.
- When asked if the AMF could indicate that it would not enforce the RADM for this product, Mario Beaudoin said the AMF could not do that.
- When asked if a delay could be provided in the application of the RADM for this product, Mario Beaudoin said the AMF could not do that.
- The AMF said that the RADM unfortunately does not include “carve out” or waiver provisions which would allow the AMF to make exceptions to or interpretations with respect to the applicability of the Regulation, which removes any possibility of the AMF providing an exception to the application of the Regulation in this case.
- The AMF was asked to issue an official statement to the industry to communicate its position that the RADM does indeed apply to credit card-embedded insurance benefits. Mario Beaudoin said that the AMF was in a period of “open discussion on this emerging issue” with the industry on this issue and therefore would not provide such a written statement until those discussions have produced results.
- Mario Beaudoin asked CAFII/the industry to provide its views on how the RADM’s application to credit card-embedded insurance benefits can be implemented, stressing that “creative solutions” are always possible. He asked CAFII to respond fairly quickly to this request for compliance action suggestions and related timelines, perhaps within a month (subsequently altered to “six to eight weeks” when CAFII representatives did not respond favourably to his initial suggestion). Without agreeing to anything, CAFII responded that a one-month timeline would definitely not be possible, but we could provide, within a reasonably prompt timeframe, our timelines for responding to this AMF request.

Detailed Summary

After Keith Martin delivered a CAFII Opening Statement on why our Association believes that the RADM is not applicable to credit card-embedded insurance benefits, Mario Beaudoin said that the AMF was aware of this issue, knew that it had caused considerable “background noise,” and added that it had been the subject of considerable internal discussion at the AMF. However, at the end of the day, Mr. Beaudoin asserted all forms and types of insurance which are offered or otherwise provided to Quebec consumers must be regulated, either by being offered by a licensed agent, or by being subject to the Regulation respecting Alternative Distribution Methods. **For credit card-embedded insurance benefits, the AMF’s view is that the RADM fully applies.**

But Mr. Beaudoin then added that while he “could not make promises,” the AMF realized that there were some real challenges in applying some of the provisions of the RADM to credit card-embedded insurance benefits. The AMF was open, he said, to the industry’s making some interpretation proposals as to how the Regulation applies to credit card-embedded insurance benefits, to its offering creative solutions, and to its recommending some adjustments to the application of the RADM to this product line.

It is important to emphasize, in the interests of avoiding repetition, that this was a consistent theme from Mr. Beaudoin throughout the meeting: “we realize that the RADM is challenging to apply to credit card-embedded insurance benefits, but apply it does. We invite you to suggest to us some creative ways to comply with the Regulation for these products.” He said “I am not making an ultimatum,” but he also said that the AMF would not agree to not enforce the RADM for credit card-embedded insurance benefits.

But while the theme of “flexibility” was a consistent one in Mr. Beaudoin’s comments, he also reiterated a number of times that the Regulation does not have a “carve out” or waiver that would allow the AMF to provide an exception or exemption from the RADM; that the Regulation in its entirety applies in the case of credit card-embedded insurance benefits; and that the Fact Sheet and a Product Summary must be provided to consumers at point of sale (i.e. when the consumer is applying for/securing a credit card). Mr. Beaudoin did say that these disclosure documents could be provided on a website, so long as the customer was asked if he/she agreed to not have them provided at the time that he/she is applying for or considering a particular credit card. However, the customer must be informed of these disclosure documents before they are approved for or granted a credit card with embedded insurance benefits. Customers, he said, need to know what they are buying before the sale is made.

Mr. Beaudoin said that he believes that customers have the right to cancel insurance. Given his statement as well about how there are no exceptions or carve out provisions in the Regulation, this implies that he believes customers should be able to cancel credit card-embedded insurance coverages, even though we repeated that they could not.

Mr. Beaudoin also say the potential for other segments to manipulate the system if the regulations did not apply to embedded insurance, for example other financial services could be embedded with other products to avoid regulatory burden and oversight.

Mr. Beaudoin said that the Product Summary was a disclosure document which industry players would be producing themselves, and in this document there could perhaps be content which explains how a customer should interpret the Fact Sheet in the case of credit card-embedded insurance benefits. For example, where the Fact Sheet indicates that if a consumer cancels the insurance, his/her premium will be refunded, the Product Summary could state that the premium refund would be zero because the customer did not pay any premium for their credit card-embedded insurance benefits.

The AMF did say that the long-term solution is to look at possible modifications to the Regulation, but such changes take a long time and Mr. Beaudoin did not think that was something that would happen in the near future. Mr. Beaudoin laughed that ten years ago he was told that the new regime on alternative distribution would be introduced, and every year after that its implementation was expected to be imminent; regulatory and legislative changes do not occur quickly and so alternative solutions need to be found in the meantime.

Mr. Beaudoin said that the “good news” was that in the case of Authorized Insurance Products (which include travel insurance and the other types of insurance typically offered as a credit card-embedded benefit), federal legislation (federal Bank Act; and the Insurance Business (Banks and Bank Holding Companies) Regulations) provides for exceptions to the provincial prohibition on selling insurance without a license. And based on audits it has done, the AMF feels that CAFII members and the bancassurance industry meet these exceptions appropriately; and, as such, credit card-embedded insurance benefits are being offered legally in Quebec. He specifically said that recent AMF research has revealed that across Canada, there are about 300 different credit cards being offered with some form of embedded insurance benefit. The AMF has done a review of those 300 different credit cards to ensure their compliance with existing statutes, and that it was satisfied with the results.

Mr. Beaudoin made a reference to a personal situation which he said had alerted him to the importance of full disclosure and ensuring that customers understand what they are obtaining. The reference was to a relative who had died, and his surviving spouse then had to cancel her late husband’s credit card and obtain a new one for herself. That new credit card included travel insurance, but she was over 75 years of age and therefore not eligible for that embedded insurance benefit. Mr. Beaudoin asserted that it is critical for a credit card applicant to be aware of such exclusions and limitations, otherwise he/she may travel, get sick, and only then find out they are not eligible and not covered, leading to an undesirable situation all around, and precisely the sort of consumer outcome that the AMF wishes to avoid.

Keith Martin responded by saying that CAFII members make every effort to ensure that individuals are aware of what is and what is not covered under all forms of insurance that they provide to consumers, including explicit disclosures. CAFII member financial institutions, he said, are built on trust, and reputation is central and foundational to them. Mr. Martin added that disclosure, which is a key reason for which the AMF appears to feel that the RADM should apply to all insurance, including credit card-embedded insurance benefits, should not be an issue because all CAFII members who provide insurance have full disclosure on their websites of what the insurance covers, and its exclusions and limitations.

Mario Beaudoin countered this argument by saying that he recognized that such disclosure occurred, and therefore the existing disclosure by financial institutions was not far off from what the AMF expects with respect to the RADM’s applicability to credit card-embedded insurance benefits; it should not be so difficult therefore for CAFII members to comply with the AMF’s RADM-based expectations for this product line.

Keith Martin asked if the AMF could -- given that it seems clear that credit card-embedded insurance benefits were not contemplated and factored into the RADM’s design and provisions -- issue a Guidance stipulating that it would not enforce the RADM for this type of insurance. Mr. Beaudoin said that the AMF was not prepared to do that. Mario Beaudoin said that the AMF was in a period of “open discussion on this emerging issue” with the industry on this issue and therefore would not provide such a written statement until those discussions have produced results. The use of the term “emerging issue” is interesting and may suggest that the AMF missed this issue in the development of the Regulation, and is looking for the industry to backfill compliance.

Keith Martin then asked if the AMF could issue a Guidance stipulating that it would delay the RADM's application to credit card-embedded insurance benefits until a review/consultation with the industry around the RADM's application to this product line could be conducted. On this as well, Mr. Beaudoin said the AMF would not consider such a measure, for the same reasons.

Karyn Kasperski, RBC Insurance, intervened at this point, and made an impactful statement about an actual face-to-face, in-person scenario, at a financial institution branch, in which a consumer is seeking "to obtain credit" in the form of a credit card. In such a common scenario, she said, the request for and granting of credit is the primary focus of the discussion between the financial institution and the customer, but if that credit card comes with embedded insurance benefits, the AMF's insistence that the RADM applies would force the conversation to have to pivot to one about insurance, which would be confusing and not consumer-friendly because insurance is not at all what is motivating the customer to have the discussion with the financial institution in the first place.

Mr. Beaudoin said that the Regulation was in place and it was no easy matter to change it. He acknowledged that there were issues in its application to credit card-embedded insurance benefits. In an interesting statement, he said "it is hard to be flexible when you are holding a two-by-four." This could be interpreted as a threat, but it could equally be interpreted to mean that the Regulation is set in stone and difficult to modify.

As the discussion continued, Martin Boyle, who monitored and participated in the meeting via teleconference, said on two occasions that he felt it was important not to focus too much of the conversation on examples within the Regulation that may cause difficulties, but instead to focus on the central issue, which was that the RADM does not apply to credit card-embedded insurance benefits. Mr. Boyle further reiterated that it was important to address whether or not regulation –by limiting its scope to "offers"—actually captures embedded insurance. In both instances, Mr. Beaudoin simply said he believed it did and redirected the conversation to solutioning for examples of issues within the Product Summary and Fact Sheet. Mario Beaudoin repeatedly restated that the AMF's position is that the RADM does apply, and he focused conversation on the AMF's desire to have the industry come back with practical and creative solutions on how it can put the RADM's provisions and expectations into effect in the case of credit card-embedded insurance benefits.

At one point, Mr. Beaudoin said that if credit card-embedded insurance benefits were not covered by the Regulation, then it could be suggested that the customer was being obligated to take the embedded insurance benefits in order to get the credit card, and this could be viewed as "tied selling" which was illegal. He did not pursue this argument any further, however, and did not elaborate on it.

Brendan Wycks asked Mr. Beaudoin what would be the AMF's view if some industry players determined that complying with the RADM's provisions in the case of credit card-embedded insurance benefits would be too onerous; and they therefore decided that they would no longer include insurance benefits in the credit cards which they offer to Quebecers, which would create a situation in which Quebecers receive a lesser value proposition from their credit cards, for the exact same annual fee and other terms, as compared to consumer in other provinces and territories. Mr. Beaudoin replied that credit card issuers and their insurer partners could proceed as they wish; and that if that scenario does become an outcome due to the fact that the RADM must apply to all forms and types of insurance, so be it.

It was clear from statements made during the meeting that Mr. Beaudoin does not believe that the fact that the premium for credit card-embedded insurance benefits is paid by the financial institution to the insurer is a relevant consideration in terms of whether or not the RADM applies. In that connection, Rob Dobbins referred back to CAFII's Opening Statement about why the RADM should not apply to card-embedded insurance benefits, emphasizing that the premium is not paid by the cardholder; rather, it is paid by the credit card issuer/distributor to the insurer. This was important to reiterate because Mr. Beaudoin said at several points during the meeting that the cardholder must indirectly be paying for the premium, which is relevant to his position that the RADM applies. We strongly refuted this notion that cardholders were indirectly paying the premium. Separately, we also emphasized again that the wording of the AMF's Fact Sheet would be misleading and confusing for consumers with respect to credit card-embedded insurance benefits. Mr. Beaudoin did not comment on either point.

Alain Camirand said that even if creative solutions could be found around explaining the wording of the Fact Sheet with respect to credit card-embedded insurance benefits, at the end of the day that would not be a good outcome for consumers, who would be confused by the wording of the Fact Sheet and some of its statements, for example around cancellation, which simply did not apply in this case. While much of the discussion was around operational issues, and these were real, Mr. Camirand said that the bigger issue was that this direction would lead "to a bad customer experience." Mr. Beaudoin did not comment on that point.

Brendan Wycks asked if it would be possible for the AMF to issue an Addendum to the Fact Sheet which would clarify that some of its provisions were not relevant/applicable to credit card-embedded insurance benefits. In response, Mario Beaudoin expressed skepticism about the AMF's ability/willingness to alter the Fact Sheet, even via a clarifying Addendum, as it was mandated in the Regulation, but yet he invited CAFII/the industry to propose practical solutions for the AMF's consideration.

Mr. Beaudoin said at one point that by meeting with CAFII, whose members included the big banks and Desjardins, the AMF was covering the entire universe of the industry players impacted by this situation, and we explained that that was not the case, as there were other players—such as retailers with credit cards, Laurentian Bank of Canada, and American Express—which would be impacted by this file, and who were not currently CAFII members.

Body Language and Tone

The meeting was cordial, professional, and generated good dialogue and exchange of viewpoints. Mario Beaudoin was very much the lead discussant for the AMF, as the other two participants said virtually nothing. Mr. Beaudoin was clearly well-prepared, and familiar with the positions that CAFII was advancing. He was, as is his nature, very talkative, and very articulate. He was also very gracious and interactive, but unbending. It was clear that the key messages which the AMF intended to deliver to CAFII in the meeting had been pre-discussed and well-rehearsed.

Analysis

The AMF consulted on the development of the RADM for years; and in that time, CAFII has no recollection of the regulator ever indicating that the RADM would apply to credit card-embedded insurance benefits. The industry generally was always of the view that the RADM did not apply to this product line, but avoided drawing attention to the issue out of concern that doing so would lead to undesirable outcomes from the AMF.

The RADM is structured in a way that is problematic in terms of applying it to credit card-embedded insurance benefits. If the AMF had originally considered that the Regulation applied to these product lines, it would have developed the Regulation in a way that made its application to embedded insurance coverages practical. Therefore, it seems plausible that if the AMF had developed the RADM with the expectation that it would apply to credit card-embedded insurance benefits, it would have created a second, appropriately worded Fact Sheet, and made other customizing provisions.

So it is reasonable to interpret the current situation as something the AMF itself now views as problematic, and the regulator is now asking the industry to engage in helping solve the problem. An alternative interpretation is that the AMF may have wished to avoid raising the issue during the original consultations, therefore deferring it, and is now dealing with the consequences.

However, what cannot be disputed is that there was absolutely no consultation with the industry on this issue; and, setting aside for a moment the view that the RADM does not apply to this product line, the provisions of the RADM do not work in a practical way, and the AMF appears to now be asking the industry to find solutions to a seemingly intractable problem. Another explanation for the approach they are taking is that the AMF has been criticized for not having consulted the industry before they issued an enforcement letter on the recent “spousal issue.” They may be reaching out to industry for its views prior to engaging in enforcement, based on learnings from the “spousal issue” and their desire to proceed differently this time.

It is also important to keep in mind that the AMF has, at this time, refused to issue an official communiqué/declaration on its position that the RADM applies to credit card-embedded insurance benefits, its formal reasoning for this position, and its related expectations of the industry. There is no written Guidance for industry, and the Regulation itself does not explicitly reference credit card-embedded insurance benefits, nor is it structured in a way that provides for compliance in the case of this product line.

(A CAFII member who was at the meeting has offered a different interpretation on this matter, which is that if the AMF issued a formal guidance saying that the actual regulation applies to credit card-embedded insurance benefits, that would mean that compliance with such regulation is expected immediately. Since the AMF said it wants to work with industry to try to find creative solutions to the challenges in complying with the RADM for credit card-embedded insurance benefits, and in the interim the AMF has indicated that it is ready to wait before formally requiring industry to comply, the AMF position may be that it is preferable for the Industry to not have such "formal guidance" at this time.)

Whatever next step the CAFII Board decides to mandate on this issue, it is clear that the AMF recognizes that it has not structured the Regulation in a way that makes compliance for credit card-embedded benefits easy. While the AMF is being adamant about the applicability of the RADM to credit card-embedded insurance benefits, its position on the issue and the rationale for it are currently entirely verbal-only and not documented in any official manner. While it may be preferable to not have a "documented and official" position if we want to try and find a middle-ground, creative solution with the AMF, the lack of such documentation also produces its own difficulties for the industry, in particular if the view is that industry should challenge the AMF's current position on this matter.

CAFII Options for Next Steps

1. Do nothing and let the AMF take enforcement action on this issue, which CAFII/the industry will then challenge.
2. Submit a written request to the AMF that it issue an official written statement to the industry on its position on the RADM's applicability to credit card-embedded insurance benefits and the related rationale; and, in that submission, make the case as to why CAFII does not agree that the RADM applies and is exploring all options; and that we do not view it as appropriate to propose solutions to the AMF on how to make the RADM apply to this product.
3. Engage Norton Rose Fulbright to review our existing "CAFII Views/Arguments on Why The RADM Should Not Apply To Credit Card-Embedded Insurance Benefits" document and formally submit the refined finished product as a legal brief/ opinion to the AMF.
4. Engage Norton Rose Fulbright to review our existing "CAFII Views/Arguments on Why The RADM Should Not Apply To Credit Card-Embedded Insurance Benefits" document and produce a legal brief on why the RADM does not apply, but rather than submit that brief to the AMF in writing, request a follow-up meeting with very senior AMF officials at which our legal counsel will verbally present the legal brief.
5. Provide the AMF with our timelines to respond to its request that CAFII propose solutions as to how our members/the industry can comply with the RADM in the case of credit card-embedded insurance benefits; and, flowing from that timeline, the develop solutions which we feel will comply with the RADM while avoiding some of the seemingly built-in problems with its applicability to this product line. This is the approach that the AMF has requested and desires.

Appendix A

CAFII Opening Statement To The AMF

At 11 February, 2020 Meeting On RADM's Applicability To Credit Card-Embedded Insurance Benefits

Comments were made by Keith Martin in English, approximately 5 minutes duration

FIRST TWO PARAGRAPHS (IN ITALICS) WERE READ IN FRENCH

I would to thank you for agreeing to hold the meeting in English, it is much appreciated.

On behalf of my Co-Executive Director Brendan Wycks, and the members of CAFII, I would like to thank you for the opportunity to speak to you about credit card-embedded insurance benefits and our view that the provisions of the Regulation on Alternative Distribution Methods (RADM) do not apply.

CAFII and its members have been strongly supportive of the direction and general provisions of the new Regulation, and we believe that it achieves a good balance among the goals of upholding consumer protection, providing consumer choice, and fostering industry efficiency and effectiveness. Some provisions, such as the replacement of the Distribution Guide by a Product Summary produced by businesses in the industry, we believe will lead to much better consumer experiences and outcomes.

But we never envisioned that the insurance coverages which are often included with credit cards – coverages which are not sold, but rather included as an add-on benefit -- would be subject to the RADM.

We would like to start by offering some background on how credit card-embedded insurance benefits work.

A consumer has a multitude of choices around choosing a credit card. They can choose a no-fee card with embedded benefits or a fee-card with both a rewards offering and a variety of different embedded benefits. The fee and the rewards i.e. travel rewards, cash-back, points programs tend to be the most important factors affecting a consumer's decision as to which credit card to apply for, but in this highly competitive market, additional features and benefits are included in many credit cards to improve the value proposition for the consumer.

If the embedded benefits in any particular credit card are not attractive to the consumer, he or she has a multitude of other credit cards to choose from with other benefits and features, and he or she simply applies to secure a different card. But the consumer cannot pick and choose from among the embedded benefits in a particular credit card—those embedded benefits are part-and-parcel of the credit card, and the consumer can either accept them or choose not to accept that particular credit card. The benefits and features of any particular credit card cannot be modified in a piecemeal, cafeteria-style fashion.

The provision of embedded benefits to the consumer via a credit card, is not an offer of insurance. Applying for and securing a credit card is not contemplated by the RADM. The credit card is being applied for and selected by the consumer, with or without insurance and other embedded benefits. The insurance contract is between the credit card distributor, for example a bank, and the underwriter, an insurance company. The cardholder pays no premium for the embedded insurance benefits which he or she receives as part of the credit card's value proposition. The insurance premium is paid by the bank to the insurance company, and the bank absorbs that cost as an expense associated with what it wants to offer the cardholder in exchange for whatever revenue it expects to generate from the credit card.

Does the AMF have any questions about our comments on how credit card embedded benefits work?

At this point, we would like to ask the AMF if you view this product as being subject to the RADM.

Appendix B

Analysis of Meeting by Martin Boyle, BMO Insurance and EOC Chair

While Mario tried to position himself as open to consultation and offering flexibility to the industry, there are aspects of his approach that I am quite concerned with. The impression that I got was that he seemed to be looking for industry to make commitments and then the industry would be held to those commitments. I think the reason for this is that the regulatory framework does not in fact apply (or at least his position that it does is very weak). The reason for this is that he is unwilling to make any public/industry statements regarding AMF position (i.e., that regs apply to this type of distribution) until he has received input and ideas on making it compliant (i.e., industry commitments on making distribution compliant with the framework). Also, he was unwilling to make any public/industry statements on transition period, which was done in May 2019 for other aspects regulation. It really looks like he wants the industry to back itself into the regulatory framework because he does not have the authority.

I think we should definitely continue to push back on the applicability of the regulation. We should not begin making concessions and commitments until it is clear that regulatory framework actually applies. There is a difference between products that are provided and products that are offered. To me, the regulation is clear that it applies to offers.

Martin Boyle

Director, Governance & BUCO
BMO Insurance | 11th Flr, BMO Life Bldg, 60 Yonge St | Toronto, ON M5E 1H5
416-596-3900 ext.5030
martin.boyle@bmo.com

Quebec City, February 21, 2020

By e-mail: brendan.wycks@cafii.com

Mr. Brendan Wycks
Co-Executive Director
Canadian Association of Financial Institutions in Insurance
200-411 Richmond Street E
Toronto, ON, M5A 3S5

Client N°: 3001449692
Reference N°: 2032425050

Sir:

Subject: Credit Card-Embedded/Inclusive Insurance Benefits

This correspondence follows the meeting of February 11, 2020, between the Autorité des marchés financiers (the « AMF ») and members of the Canadian Association of Financial Institutions in Insurance (« CAFII »).

During this meeting, CAFII undertook to provide the AMF with a list of its concerns regarding the summaries, the right of rescission and the delivery of the fact sheet for credit cards embedded/inclusive insurance products.

The AMF also wishes to hear the proposed solutions to these concerns.

Note that these products are subject to the distribution without a representative regime. This position will not be debated.

Please provide us with your comments **no later than March 27, 2020**.

Do not hesitate to contact the analyst in this matter, Ms. Charlene Boucher (ext. 4784), if you have any questions pertaining to the above.

Please note that this letter should not be construed by any insurers as a waiver by the AMF of its rights and recourses under any law or regulation for any other past, present or future breach by insurers.

Yours truly,



Mario Beaudoin
Director, Alternative Insurance Distribution Practices

Québec
Place de la Cité, tour Cominar
2640, boulevard Laurier, bureau 400
Québec (Québec) G1V 5C1
Téléphone : 418 525-0337
Télécopieur : 418 525-9512
Numéro sans frais : 1 877 525-0337

Montréal
800, square Victoria, 22^e étage
C.P. 246, tour de la Bourse
Montréal (Québec) H4Z 1G3
Téléphone : 514 395-0337
Télécopieur : 514 873-3090

Agenda Item 5(a)(ii)
February 25/20 EOC Teleconference Meeting

From: Michele Helie/Montreal/CLHIA
To: "Keith Martin" <Keith.Martin@cafii.com>
Cc: Luke O'Connor/Toronto/CLHIA@CLHIA, Brent Mizzen/Toronto/CLHIA@CLHIA
Date: 02/17/2020 12:07 PM
Subject: Re: FW: Summary Notes of CAFII Meeting with the AMF on 11 February, 2020 In Quebec City on Credit Card-Embedded Insurance Benefits

Hi Keith,

When do you expect to have your board make a decision on the five possible steps? Maybe we can speak after?

Thanks.

Michèle Hélie

Directrice, Affaires québécoises, et Politiques et réglementation des marchés
514-375-5067
c. 514-295-7983



Association canadienne des compagnies
d'assurances de personnes
1001, boul. de Maisonneuve Ouest, bureau 630
Montréal (Québec) H3A 3C8

From: "Keith Martin" <Keith.Martin@cafii.com>
To: "Lyne Duhaime" <LDuhaime@clhia.ca>, "Michele Helie" <MHelie@clhia.ca>, "Brent Mizzen" <bmizzen@clhia.ca>, "Luke O'Connor" <LOConnor@clhia.ca>
Cc: "Brendan Wycks" <brendan.wycks@cafii.com>
Date: 02/14/2020 12:27 PM
Subject: FW: Summary Notes of CAFII Meeting with the AMF on 11 February, 2020 In Quebec City on Credit Card-Embedded Insurance Benefits

Hello Lyne, Michele, Brent, and Luke,

I believe you know that Brendan and I brought a small CAFII entourage to a meeting on 11 February, 2020 with the AMF in Quebec City, on the credit card-embedded benefits issue.

A Summary Note (confidential) is attached for you, on the meeting.

Warm regards,

Keith Martin

Co-Executive Director / Co-Directeur général
Canadian Association of Financial Institutions in Insurance
L'association canadienne des institutions financières en assurance

From: Keith Martin <Keith.Martin@cafii.com>

Sent: February 12, 2020 6:27 PM

Subject: Summary Notes of CAFII Meeting with the AMF on 11 February, 2020 In Quebec City on Credit Card-Embedded Insurance Benefits

Hello CAFII Board, EOC, and Committee Members:

Please find attached the summary notes of the CAFII meeting with the AMF on 11 February, 2020 in Quebec City on credit card-embedded insurance benefits.

The note includes an analysis of the situation and options around next steps.

Brendan Wycks has offered his input on the notes and the participants at the 11 February, 2020 meeting have each also reviewed the document.

It is likely that members will want some time to internally discuss the outcome of the meeting. The next meeting of the EOC is on Tuesday, 25 February and we are proposing allocating time at that meeting for a thorough discussion of the next steps the Association should take. However, if there is a desire for an earlier discussion that of course can be arranged.

Any questions or concerns, please let me know.

Agenda Item 5(a)(iii)
February 25/20 EOC Teleconference Meeting

From: Boles, Aaron <ABoles@cba.ca>

Sent: February-18-20 8:34 AM

To: Keith Martin <Keith.Martin@cafii.com>; Docherty, Charles <CDocherty@cba.ca>; Ciappara, Alex <ACiappara@cba.ca>

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

Subject: RE: Confidential--FW: Summary Notes of CAFII Meeting with the AMF on 11 February, 2020 In Quebec City on Credit Card-Embedded Insurance Benefits

Thanks, Keith.

We appreciate the update. Our members have been in touch with our legal division about this developing story, as well.

We'll look at some possible dates for a lunch sometime this spring.

Best regards,

AEB



Aaron Boles | Vice-President, Communications | Vice-président,
Communications

t: 416.362.6093 x 350

e: aboles@cba.ca

w: www.cba.ca

From: Keith Martin <Keith.Martin@cafii.com>

Sent: February 14, 2020 12:46 PM

To: Boles, Aaron <ABoles@cba.ca>; Docherty, Charles <CDOcherty@cba.ca>; Ciappara, Alex
<ACiappara@cba.ca>

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

Subject: Confidential--FW: Summary Notes of CAFII Meeting with the AMF on 11 February, 2020 In
Quebec City on Credit Card-Embedded Insurance Benefits

Memo To: Aaron Boles, Vice President, Communications ; Charles Docherty, Assistant General Counsel;
Alex Ciappara, Director, Credit Market and Economic Policy, Canadian Bankers Association

Memo From: Keith Martin and Brendan Wycks, CAFII

RE: Sharing of Confidential CAFII Report on Meeting with the AMF on Credit Card-Embedded Insurance
Benefits

Hello Aaron, Charles, Alex,

I trust all is well.

I wanted to let you know that Brendan Wycks and I brought a small CAFII delegation to meet the AMF in
Quebec City on 11 December, 2020, on the issue of credit card-embedded insurance benefits.

The summary notes of the meeting are confidentially attached here for you. (Feel free to circulate
within the CBA, but please highlight the confidential nature of the notes.) If there is any material in the
notes that you wish to have more information about, please don't hesitate to contact me or Brendan.

We will be sure to keep you advised of any major developments on this file.

(By the way, let me know if the three of you are available at some point to reconnect for another liaison
lunch, it has been a while since we had our last one and I am sure we all have a lot of updates we could
share.)

Personal regards,

--Keith

Keith Martin

Co-Executive Director / Co-Directeur général

Canadian Association of Financial Institutions in Insurance

L'association canadienne des institutions financières en assurance

keith.martin@cafii.com

T: 647.460.7725

***Agenda Item 5(a)(iv)
February 25/20 EOC Teleconference Meeting***

Options for Next Steps In CAFII's Engagement With AMF On Issue Of RADM's Applicability To Credit Card-Embedded Insurance Benefits

1. Do nothing and let the AMF take enforcement action on this issue, which CAFII/the industry will then challenge.
2. Submit a written request to the AMF that it issue an official written statement to the industry on its position on the RADM's applicability to credit card-embedded insurance benefits and the related rationale; and, in that submission, make the case as to why CAFII does not agree that the RADM applies and is exploring all options; and that we do not view it as appropriate to propose solutions to the AMF on how to make the RADM apply to this product.
3. Engage Norton Rose Fulbright to review our existing "CAFII Views/Arguments on Why The RADM Should Not Apply To Credit Card-Embedded Insurance Benefits" document and formally submit the refined finished product as a legal brief/ opinion to the AMF.
4. Engage Norton Rose Fulbright to review our existing "CAFII Views/Arguments on Why The RADM Should Not Apply To Credit Card-Embedded Insurance Benefits" document and produce a legal brief on why the RADM does not apply, but rather than submit that brief to the AMF in writing, request a follow-up meeting with very senior AMF officials at which our legal counsel will verbally present the legal brief.
5. Provide the AMF with our timelines to respond to its request that CAFII propose solutions as to how our members/the industry can comply with the RADM in the case of credit card-embedded insurance benefits; and, flowing from that timeline, the develop solutions which we feel will comply with the RADM while avoiding some of the seemingly built-in problems with its applicability to this product line. This is the approach that the AMF has requested and desires.

Québec, le 20 décembre 2019

PAR COURRIER ÉLECTRONIQUE

À l'attention des président(e)s des assureurs de personnes et des assureurs de dommages faisant affaire au Québec

Objet : Demande de renseignements - Incidents opérationnels

Madame,
Monsieur,

Le 11 juillet dernier, l'Autorité des marchés financiers (l'« Autorité ») vous a rappelé l'importance d'une gestion saine et prudente des risques liés à la sécurité de l'information ainsi que son attente d'être informée promptement des incidents opérationnels, laquelle s'inscrivait dans l'obligation des institutions financières (« IF ») de suivre des pratiques de gestion saine et prudente.

L'Autorité tient maintenant à préciser la nature des renseignements requis de même que les délais pour transmettre l'information.


Aussi, la présente demande de renseignements vous est formulée en vertu de l'article 138 de la *Loi sur les assureurs*, RLRQ, chapitre A-32.1. À cet égard, l'Autorité peut requérir que lui soient fournis tous documents ou renseignements qu'elle juge utiles pour l'application de la loi. Ainsi, l'Autorité demande que les IF lui déclarent la survenance d'un incident opérationnel le plus rapidement possible, et au plus tard 24 heures après avoir déterminé sa survenance, selon les exigences énoncées à l'Annexe ci-jointe.

Nous comptons sur la diligence des assureurs pour respecter cette demande. À cet effet, si des précisions étaient requises, nous vous invitons à communiquer avec monsieur François Vézina, au 418 525-0337, poste 4697, ou par courriel à francois.vezina@lautorite.qc.ca

À défaut, nous vous rappelons que l'Autorité peut prendre toute mesure jugée appropriée, incluant l'imposition d'une sanction administrative pécuniaire et l'émission d'une instruction ou d'une ordonnance.

Nous vous prions d'agréer, Madame, Monsieur, l'expression de nos sentiments distingués.

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



Nathalie Sirois, CPA, CGA, MBA, CRMA

p.j. Annexe

c. c. Fondés de pouvoir
M^{me} Isabelle Berthiaume, directrice de la surveillance prudentielle des assureurs, Autorité des
marchés financiers

ANNEXE

Exigences de l'Autorité en matière de déclaration d'incidents opérationnels

Définition d'un incident opérationnel pour les fins de la déclaration

Un incident opérationnel se définit comme étant un événement qui engendre ou qui est susceptible d'engendrer une perturbation, un ralentissement ou une interruption des activités critiques de l'institution et qui pourrait occasionner des pertes financières ou une atteinte à sa réputation. Par ailleurs, tout manquement à la protection des renseignements personnels qui pourrait également occasionner des pertes financières ou une atteinte à la réputation constitue un incident opérationnel.

Délai

Les institutions financières doivent aviser l'Autorité le plus rapidement possible, et au plus tard 24 heures après avoir déterminé qu'un incident répond à la définition d'incident opérationnel.

Information requise

Les informations suivantes seront requises:

- La date à laquelle l'incident a été détecté;
- Le type d'incident (fraude interne, fraude externe, fuite de renseignements personnels, perte de services critiques, pratiques commerciales, cyberincident, autre);
- La description sommaire de l'incident;
- La cause connue ou soupçonnée de l'incident;
- La date de la déclaration de l'incident à la haute direction et au conseil d'administration;
- Le nombre de clients / membres touchés;
- La description sommaire de l'état actuel de la situation;
- La description sommaire des mesures prises pour informer et protéger les clients / membres;
- La description sommaire des moyens déployés pour mitiger les risques liés à l'incident.

Si des informations ne sont pas encore disponibles au moment de la déclaration à l'Autorité, l'institution financière doit indiquer que « l'information n'est pas encore disponible » et s'engager à les transmettre dans les meilleurs délais.

Mode de transmission

La déclaration doit être transmise par l'entremise de nos Services en ligne (SEL)¹, accessibles sur notre site Web. Ce système vous permet de transmettre les documents appuyant votre déclaration d'incident de façon sécuritaire et confidentielle.

Pour ce faire, vous devez accéder au menu principal des SEL, sous la rubrique « Dossier client / Calendrier des divulgations » puis dans la section « Lien(s) vers Autres demandes » au bas de la page, cliquer sur le lien « Déclaration d'un incident ».

¹ <https://lautorite.qc.ca/professionnels/services-en-ligne/>

Québec City, December 20, 2019

BY E-MAIL

Attention: Presidents of life and health insurers and P&C insurers doing business in Québec

Dear Sir/Madam:

Subject: Request for information - Operational incidents

On July 11, 2019, the Autorité des marchés financiers (AMF) reminded you of the importance of soundly and prudently managing information security risks and that it expects financial institutions ("FIs"), in keeping with the requirement to follow sound and prudent management practices, to promptly advise it of any operational incidents.

The AMF now wishes to clarify what type of information is to be provided and the time frame for doing so.

This request for information is being made under section 138 of the *Insurers Act*, CQLR, chapter A-32.1, which states that the AMF may require that it be provided with the documents or information it considers useful for the purposes of the Act. Accordingly, the AMF is asking FIs to report any operational incident to it as quickly as possible, and no later than 24 hours after determining that the incident has occurred, in accordance with the requirements set out in the Appendix attached hereto.

We are counting on the insurers to cooperate in complying with this request. If you require additional clarification, please contact François Vézina by phone at 418-525-0337, ext. 4697, or by e-mail at francois.vezina@lautorite.qc.ca.

We remind you that, should you fail to comply with this request, the AMF may take any measure it deems appropriate, including imposing a monetary administrative penalty and issuing instructions or an order.

Yours truly,

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

Encl.: Appendix

c.c: Attorneys
Isabelle Berthiaume, Director, Prudential Supervision of Insurers, Autorité des marchés financiers

APPENDIX

AMF requirements for reporting operational incidents

Definition of an operational incident for reporting purposes

An operational incident is an event that causes or is likely to cause a disruption, slowdown or interruption in an institution's critical activities and that may result in financial losses or damage to the institution's reputation. Moreover, any breach of privacy that could also result in financial losses or damage to reputation constitutes an operational incident.

Time frame

Financial institutions must advise the AMF as soon as possible, and no later than 24 hours after determining that an incident meets the definition of an operational incident.

Required information

The following information will be required:

- The date the incident was detected.
- The type of incident (internal fraud, external fraud, personal information leak, loss of critical services, business practices, cyber incident, other).
- A summary description of the incident.
- The known or suspected cause of the incident.
- The date the incident was declared to senior management and the board of directors.
- The number of clients or members affected.
- A summary description of the current status.
- A summary description of the measures taken to inform and protect clients or members.
- A summary description of the measures taken to mitigate incident-related risks.

If some information is not available at the time the incident is reported to the AMF, the financial institution should indicate "information not yet available" and commit to sending it as quickly as possible.

Submission method

The report must be submitted in AMF E-Services,² accessible via our website. This system enables you to submit the documents supporting your incident report in a secure and confidential manner.

To report an incident, under **Client File** in the main menu in E-Services, select **Disclosure schedule**, then click on **Report an incident** under **Link(s) to Other applications/requests** at the bottom of the page.

² <https://lautorite.qc.ca/en/professionals/e-services/>

Le 11 juillet 2019

« PAR COURRIER ÉLECTRONIQUE »

À l'attention des présidents des assureurs de personnes et des assureurs de dommages faisant affaire au Québec

Objet : Rappel - Importance d'une gestion saine et prudente des risques liés à la sécurité de l'information

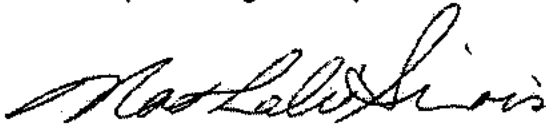
Considérant les événements récents liés à la fuite de renseignements personnels dont le Mouvement Desjardins a été victime, l'Autorité des marchés financiers (l'« Autorité ») juge qu'il est opportun de rappeler aux institutions financières l'importance d'une gestion saine et prudente des risques liés à la sécurité de l'information.

Dans un premier temps, l'Autorité désire réitérer que la protection des renseignements personnels obtenus des consommateurs est un enjeu prédominant pour une institution financière. Au-delà de l'obligation de se conformer aux dispositions de la *Loi sur la protection des renseignements personnels dans le secteur privé*, RLRQ c. P-39.1, cet exercice vise avant tout à conserver la confiance du public à l'égard de nos organisations. L'Autorité s'attend donc que les institutions financières identifient et évaluent adéquatement les risques associés à la sécurité de l'information et qu'elles mettent en place des mesures de contrôle robustes afin de mitiger les risques quant à la protection des renseignements personnels. À cet effet, la Ligne directrice sur les saines pratiques commerciales de l'Autorité énonce les attentes à l'égard de la protection des renseignements personnels.

De plus, considérant le rôle important des systèmes d'information dans la protection des données et l'impact de ceux-ci sur le risque opérationnel des organisations, et ce, dans un contexte où l'adoption des innovations technologiques a contribué à accentuer les risques de perte, de vol, de corruption et d'accès non autorisé aux données, l'Autorité désire réaffirmer l'importance de bien gérer les risques liés aux technologies de l'information et des communications. La Ligne directrice sur la gestion du risque opérationnel énonce les attentes générales de l'Autorité en cette matière et une Ligne directrice sur la gestion des risques liés aux technologies de l'information et des communications, pour laquelle une période de consultation a été tenue et qui sera publiée ultérieurement en 2019, viendra préciser ces attentes.

L'Autorité désire également rappeler qu'elle s'attend à ce que les institutions financières l'informent promptement des incidents opérationnels majeurs (cyberincident, dysfonctionnement des systèmes, vol, fraude, etc.) qui surviennent ainsi que de tout manquement à la protection des renseignements personnels.

Nous vous prions d'agréer l'expression de nos sentiments distingués.



Nathalie Sirois, CPA, CGA, MBA, CRMA

Directrice principale de la surveillance des assureurs et du contrôle du droit d'exercice

c.c. Fondés de pouvoir

Québec :	Montréal :
Place de la Cité, tour Cominar	800, square Victoria, 22 ^e étage
2640, boulevard Laurier, 3 ^e étage	C.P. 246, tour de la Bourse
Québec (Québec)	Montréal (Québec)
G1V 5C1	H4Z 1G3
tél. : 418.525.0337	tél. : 514.395.0337
ligne sans frais : 877.525.0337	ligne sans frais : 877.525.0337
téléc. : 418.525.9512	téléc. : 514.873.3090

July 11, 2019

BY E-MAIL

Attention: Presidents of life and health insurers and P&C insurers doing business in Québec

**Subject: Reminder - Importance of soundly and prudently managing information
 security risks**

In light of the recent personal information leak at Desjardins Group, the Autorité des marchés financiers (the "AMF") believes it is timely to remind financial institutions of the importance of soundly and prudently managing information security risks.

The AMF wishes to emphasize that the protection of consumers' personal information is a key issue for financial institutions. Beyond the obligation to comply with the provisions of the *Act respecting the protection of personal information in the private sector*, CQLR c. P-39.1, protecting personal information is about maintaining public confidence in our organizations. The AMF therefore expects financial institutions to adequately identify and assess information security risks and implement robust control measures to mitigate privacy risks. The AMF's Sound Commercial Practices Guideline sets out its expectations for the protection of personal information.

Furthermore, given the important role information systems play in data protection and their impact on organizations' operational risk in an environment where technological innovations have increased the risk of loss, theft, corruption and unauthorized data access, the AMF wishes to reaffirm the importance of effectively managing information and communications technology risks. The Operational Risk Management Guideline sets out the AMF's general expectations in this regard. A Guideline on Information and Communications Technology Risk Management, on which a consultation period has been held and which will be published later in 2019, will clarify those expectations.

The AMF also wishes to point out that financial institutions are expected to promptly advise it of any major operational incidents (e.g., cyber incident, system failure, theft or fraud) as well as any breach of privacy.

Yours truly,

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

c.c.: Attorneys

Agenda Item 5(d)
February 25/20 EOC Teleconference Meeting

-----Original Appointment-----

From: Brendan Wycks

Sent: January-07-20 10:55 AM

To: Brendan Wycks; Pérodeau Frédéric; Déry Patrick; 'Sirois Nathalie'; Gauthier Louise; Lebel Philippe; Keith Martin; 'Reid Julien'

Cc: 'Beaulieu Nicole'; 'Berthiaume Isabelle'; 'Beaudoin Mario'; 'mylene.sabourin@lautorite.qc.ca'

Subject: CAFII and AMF Informal Liaison Lunch; followed by "Industry Issues Dialogue"

When: April-07-20 12:00 PM-2:30 PM (UTC-05:00) Eastern Time (US & Canada).

Where: Desjardins Financial Security, 150, rue des Commandeurs, 15th floor, Lévis, Québec

Preliminary Agenda

12 Noon to 1:10 p.m.: Informal Buffet-Style Lunch and Conversation

1:10 to 2:25 p.m.: Industry Issues Dialogue, with Agenda to be mutually/jointly developed by CAFII and AMF and focused on alternating, brief update presentations

Brendan Wycks, BA, MBA, CAE

Co-Executive Director

Canadian Association of Financial Institutions in Insurance

Brendan.wycks@cafii.com

T: 647.218.8243

Alternate T: 647.361.9465

www.cafii.com

From: Pérodeau Frédéric <Frederic.Perodeau@lautorite.qc.ca>

Sent: November-20-19 4:19 PM

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

Cc: Keith Martin <Keith.Martin@cafii.com>; Beaulieu Nicole <Nicole.Beaulieu@lautorite.qc.ca>; Déry Patrick <Patrick.Dery@lautorite.qc.ca>

Subject: RE: Proposed Rescheduling Date For CAFII/ACIFA Informal Liaison Lunch and Shared-Agenda Industry Issues Dialogue With AMF Staff Executives

Hello Brendan. Thank you for your e-mail. April 7, 2020 will work.

Make sure to contact me in the preceding weeks so that we could discuss the agenda.

I will send you a list of attendees as soon as possible so that invites could be sent.

Best regards,

Frédéric

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

Envoyé : 20 novembre 2019 14:41

À : Pérodeau Frédéric <Frederic.Peroiseau@lautorite.qc.ca>

Cc : Keith Martin <Keith.Martin@cafii.com>; Beaulieu Nicole <Nicole.Beaulieu@lautorite.qc.ca>; Déry Patrick <Patrick.Dery@lautorite.qc.ca>

Objet : RE: Proposed Rescheduling Date For CAFII/ACIFA Informal Liaison Lunch and Shared-Agenda Industry Issues Dialogue With AMF Staff Executives

Bonjour, Frédéric.

I'm following up with you here to see if you may be in a position to give CAFII an answer now as to whether Tuesday, April 7, 2020 will work or not for you and some AMF staff executive colleagues to meet with the CAFII Board of Directors in Lévis (hosted by Desjardins)?

For planning and logistical purposes, we need to get our *CAFII 2020 Schedule of Meetings and Events* firmed up and "nailed down" by Tuesday, December 3/19 at the latest, the date of our next CAFII Board of Directors meeting.

If Tuesday, April 7/20 does not work for you and your colleagues, CAFII will then revert back to our usual annual pattern of having our April, June, and November/December Board meetings in Toronto; and we will also have our October Board meeting (Tuesday, October 6 in 2020) en la belle province as per usual.

Please get back to Keith Martin and me with the AMF's reply to our April 7/20 meeting proposal as soon as possible, and by Monday, December 2 at the latest.

Thanks and regards,

Brendan Wycks, BA, MBA, CAE

Co-Executive Director

Canadian Association of Financial Institutions in Insurance

Brendan.wycks@cafii.com

T: 647.218.8243

Alternate T: 647.361.9465

www.cafii.com

Making Insurance Simple and Accessible for Canadians

Rendre l'assurance simple et accessible pour les Canadiens

Agenda Item 5(e)
February 25/20 EOC Teleconference Meeting

From: Brendan Wycks <brendan.wycks@cafii.com>
Sent: Tuesday, February 18, 2020 10:48 AM
To: Michael Kilby <MKilby@stikeman.com>; Victoria Hale <VHale@stikeman.com>
Cc: Stuart Carruthers <SCarruthers@stikeman.com>; Keith Martin <Keith.Martin@cafii.com>
Subject: FW: Request For Short CAFII/CLHIA "Touch Base" Call Re Early March 2020 Quarterly Stakeholder Meetings With CCIR/CISRO Fair Treatment of Consumers Working Group (FTCWG), Focused On Incentives/Compensation

Hi, Mike.

See the Meeting Invitation content below, beneath my related message to Brent Mizzen and Luke O'Connor of CLHIA, which I just circulated to a segment of CAFII volunteer leaders for our upcoming CAFII quarterly stakeholder meeting with the CCIR/CISRO FTCWG on Thursday, March 5/20.

In particular, take a look at the underlined text (two paragraphs) in my initial invitation/positioning message at the top of that Meeting Invitation content.

In that connection, can I line up an expert advice-related call with you for 10 to 15 minutes on Thursday (anytime) or Friday morning of this week to discuss the issue I raise therein? Please propose two or three time Thursday or Friday, and I'll send out a Meeting Invitation with the CAFII dial-in information.

Thanks and regards,

Brendan Wycks, BA, MBA, CAE
Co-Executive Director
Canadian Association of Financial Institutions in Insurance

From: Brendan Wycks
Sent: February-18-20 10:42 AM
To: Brent Mizzen <bmizzen@clhia.ca>; Luke O'Connor <LOConnor@clhia.ca>
Subject: Request For Short CAFII/CLHIA "Touch Base" Call Re Early March 2020 Quarterly Stakeholder Meetings With CCIR/CISRO Fair Treatment of Consumers (FTC) Working Group, Focused On Incentives/Compensation

Hi, Brent and Luke.

See the Meeting Invitation content below, beneath my signature block, which I just circulated to a segment of CAFII volunteer leaders for our upcoming CAFII quarterly stakeholder meeting with the CCIR/CISRO FTCWG on Thursday, March 5/20 from 9:00 to 10:30 a.m.

In particular, take a look at the underlined text in my initial invitation/positioning message at the top.

In that connection, can I line up a 15 minute call with one or both of you for Wednesday or Thursday of this week to discuss the issue I raise therein? Please propose two or three time options on Wednesday or Thursday, and I'll send out a Meeting Invitation with the CAFII dial-in information.

Thanks and regards,

Brendan Wycks, BA, MBA, CAE

Co-Executive Director

Canadian Association of Financial Institutions in Insurance

CAFII EOC and Market Conduct & Licensing Committee Members:

As per the February 15/20 confirmation message from Tony Toy, CCIR Policy Manager, below, you are invited to attend this CAFII stakeholder meeting with the CCIR/CISRO Fair Treatment of Consumers Working Group (FTCWG), either as part of our in-person delegation or on the phone.

If you are able to attend, please indicate in your Acceptance whether you will attend in-person or via teleconference.

For those able to be part of our CAFII in-person delegation, a Rendez-Vous and Prep Meeting will be arranged for 8:00 to 8:50 a.m. on Thursday, March 5/20, at a location close by the RIBO office location of the 9:00 a.m. stakeholder meeting.

We are currently investigating/looking into what, if anything, CAFII might be able to provide in terms of the written submission which the CCIR/CISRO Fair Treatment of Consumers Working Group is requesting for its early March quarterly meetings with various stakeholder groups. That includes touching base with CLHIA to find out what sort of written submission, if anything, it intends to provide for its stakeholder meeting with the FTCWG on March 4 or 5.

(CAFII EOC Chair Martin Boyle has expressed strong reservations about CAFII attempting to put together an Association-level written submission on "incentives and compensation models currently in market" (as per Tony Toy email of December 10/19 below) as being potentially anti-competitive (in violation of The Competition Act); and that if the CCIR/CISRO FTCWG wants that type of information, it probably needs to pursue it on a company-by-company basis. I am currently looking into this with CAFII's competition law advisor at Stikeman Elliott.)

Further information in preparation for this meeting, including the agenda once provided by Tony Toy, will be provided by way of updates to this Meeting Invitation.

Brendan Wycks, BA, MBA, CAE

Co-Executive Director

Canadian Association of Financial Institutions in Insurance

From: Tony Toy <Tony.Toy@fsrao.ca>
Sent: February-15-20 8:02 PM
To: Brendan Wycks <brendan.wycks@cafii.com>
Cc: Keith Martin <Keith.Martin@cafii.com>; CCIR-CCRA <ccir-ccra@fsrao.ca>
Subject: RE: CCIR Fair Treatment of Customers Stakeholder Meeting - 2020

Hi Brendan,

This email is to confirm that the next Fair Treatment of Customers Stakeholder Meeting with CAFII is scheduled for 9:00am – 10:30am on Thursday, March 5, 2020.

Insurers and distributors have been internally reviewing their business practices and conducting a gap analysis since our first meeting in November 2018. We have had several meetings since the introduction of the Guidance on September 27, 2018. As some regulators have and are beginning to implement the principles of the Guidance, the FTCWG would like to receive specific examples of practices identified by insurers and distributors that were determined to be possibly misaligning with the Guidance and solutions that addressed those situations.

As initially discussed at the November 5, 2019 Stakeholder Dialogue and clarified by a subsequent email of December 10, 2019, the FTCWG is expecting to discuss the written CAFII submission re: incentives and compensation models.

A formal agenda is expected to be distributed shortly.

The meeting will be held at the Registered Insurance Brokers of Ontario (RIBO) offices located at:

401 Bay Street
Toronto ON
M5H 2Y4
12th floor

For your members that are unable to attend in person, the dial in information is as follows:

Dial-in number: 416-212-8012
Toll Free: 1-866-633-0848
Passcode: 2494889#

Also, please confirm the individuals you anticipate to participate in person and on the phone. Feel free to contact me directly for any further questions.

Tony Toy
Policy Manager
Canadian Council of Insurance Regulators

From: Tony Toy <Tony.Toy@fsrao.ca>
Sent: December-10-19 1:51 PM
To: Brendan Wycks <brendan.wycks@cafii.com>
Cc: Keith Martin <Keith.Martin@cafii.com>; Fullan, Ron (ICS) <Ron.Fullan@skcouncil.sk.ca>; Gauthier Louise <Louise.Gauthier@lautorite.qc.ca>; CCIR-CCRRRA <ccir-ccrra@fsrao.ca>
Subject: RE: CCIR Fair Treatment of Customers and Incentives

Hi Brendan,

Sorry for the confusion. To provide a bit more background, we have engaged with some other stakeholders on the topic and they have provided the FTCWG with written submissions. We found that written submissions work best for the discussions.

The first round focussed mainly on the stakeholders representing the life sector, as you may recall, the November quarterly meetings focussed primarily on the life side. We are now engaging discussions with CCIR/CISRO's other stakeholders.

We look forward to CAFII presenting a paper on incentives at our next quarterly meeting, currently anticipated to be scheduled for sometime in March 2020. Please let me know if this would be doable.

If you have any further questions, please feel free to contact me directly.

Thank you.

Tony Toy
Policy Manager
Canadian Council of Insurance Regulators

From: Brendan Wycks <brendan.wycks@cafii.com>
Sent: Tuesday, December 10, 2019 1:34 PM
To: Tony Toy <Tony.Toy@fsrao.ca>
Cc: Keith Martin <Keith.Martin@cafii.com>; Fullan, Ron (ICS) <Ron.Fullan@skcouncil.sk.ca>; Gauthier Louise <Louise.Gauthier@lautorite.qc.ca>; CCIR-CCRRRA <ccir-ccrra@fsrao.ca>
Subject: Re: CCIR Fair Treatment of Customers and Incentives

Hi, Tony.

Thanks for this incentives/compensation-focused information-sharing and engagement request from the CCIR/CISRO FTC Working Group.

I can't seem to find it in the message, so can you please elaborate by outlining the manner/forum in which you would like the exchange to occur (written submission; meeting only; some combination of the two?); and the timeframe/deadline you have in mind for it?

Thanks and regards,

Brendan Wycks

Sent from my iPhone

On Dec 10, 2019, at 1:14 PM, Tony Toy <Tony.Toy@fsrao.ca> wrote:

Hi Keith and Brendan,

The joint CCIR/CISRO Fair Treatment of Customers Working Group (FTCWG) appreciates the participation of the Canadian Association of Financial Institutions in Insurance (CAFII) as regulators and industry implement the principles in the Fair Treatment of Customers (FTC) guidance. Released in September 2018, CCIR and CISRO members support the FTC guidance and are in various stages of implementing the common principles within their jurisdictions.

The FTCWG had initially indicated last November 2018 and at our subsequent meetings of March that the next area of focus is with incentives and compensation models currently in market. As you may recall, at our 2019 Stakeholder Dialogue Meeting, we asked if CAFII was interested in helping the FTCWG understand the compensation models for the distribution of your members' insurance products.

So far, the FTCWG identified four incentive categories that give rise to conflict of interest concerns:

1. *Incentives which create an obvious conflict by their very nature* – incentive programs such as awarding travel/trips for top-selling intermediaries.
2. *Incentives which potentially place the intermediary's interest ahead of the customer's interest* – incentive programs such as volume bonuses and sales campaigns.
3. *Incentives which restrict access to markets* – insurers set sales quotas for intermediaries to access or maintain contracts, which in smaller markets may mean that intermediaries have access to a limited number of markets.
4. *Incentives which impede servicing the customer* – original seller compensation only, no compensation provided for a new "agent of record" servicing an orphan policy.

As discussed at our November Stakeholder Dialogue meeting, the FTCWG would like to engage with CAFII in an exercise aimed at obtaining a comprehensive understanding, including terminology and definitions of compensation approaches in the distribution of insurance products in order to be able to discuss industry alignment with FTC. This exercise exclude transactions related to reinsurance products. The FTCWG is interested in how compensation flows throughout the chain in the distribution of insurance.

The FTCWG would like to obtain an understanding of all types of compensation (e.g. salaries, commissions, profit sharing, etc.) your members dispense for the selling of insurance products. We understand that there may be a variety of distribution methods, such as client contact centres, agents and brokers, travel agents, direct mail and the internet. There appears to be various industry terminology that are used interchangeably. A listing of those terms would assist us in understanding the nomenclature.

If compensation/incentive models differ by major lines of insurance business, those distinctions would also be helpful.

Furthermore, as discussed, we invite CAFII to provide detail on the oversight and governance programs typically in place to manage the conflicts of interest that can be generated by incentives.

As for incentives, we would like to obtain from CAFII a description of the most prevalent type of programs so to arrive at a common understanding of in-market practices.

Finally, we understand that individual insurers may be reluctant to divulge their specific compensation schemes and oversight programs due to the competitive nature of the industry. In light of this, the FTCWG is looking for a general level understanding and not one that would be attributable to a particular insurer.

If there are any questions, please feel free to contact me directly.

Thank you.

Tony Toy

Policy Manager

Canadian Council of Insurance Regulators

National Regulatory Coordination Branch

Financial Services Regulatory Authority (FSRA)

T: 416.590.7257

C: 437.990.8475

E: Tony.Toy@fsrao.ca

www.fsrao.ca

Agenda Item 5(f)
February 25/20 EOC Teleconference Meeting

-----Original Appointment-----

From: Brendan Wycks

Sent: February-13-20 8:37 AM

To: Brendan Wycks; 'Lobbezoo, Chris'; 'moira.gill@td.com'; 'Boyle, Martin'; 'Easthope, Dana'; 'rob.dobbins@assurant.com'; 'MacLean, Charles'; Keith Martin; Andrew Oakden (confirmed attendees)

Cc: 'janice.farrelljones@td.com' (tentative)

Subject: CAFII Presentation Meeting With FCAC Staff Executives Re Credit Protection Insurance Sales Practices and Related Fair Treatment of Customers Considerations

When: March-09-20 10:00 AM-12:00 PM (UTC-05:00) Eastern Time (US & Canada).

Where: Financial Consumer Agency of Canada Offices, 427 Laurier Avenue W, Minto Enterprise Building, 5th Floor, Ottawa

You are invited to a joint meeting between CAFII and FCAC, at the request of Mr. Brendan Wycks, with regards to the *Information-Sharing and Dialogue Follow-up*.

The meeting will take place at the following location:

Financial Consumer Agency of Canada Offices

427 Laurier Avenue W, Minto Enterprise Building, 5th Floor
Ottawa, ON

For those who **cannot attend in person**, dial-in details are as follows:

Local Dial-In #: 613-960-7513

Toll-Free Dial-In #: 1-877-413-4788

Conference ID#: 1880924

Upon arrival, please proceed to the 6th floor reception and advise corporate services that you are here for a meeting in the Collaboration Space with Teresa Frick. They will advise us of your arrival.

Should you have any questions or concerns, feel free to contact me via email:

sara.desjardins@fcac-acfc.gc.ca or via telephone @ (C): 343-550-3487 or (M): 613-941-3929.

Regards,

Sara

Sara Desjardins

Administrative Assistant, Supervision & Promotion Branch

Financial Consumer Agency of Canada | Government of Canada

Sara.desjardins@fcac-acfc.gc.ca | Tel #: 613-941-3929 / #: 343-550-3487

The background of the entire slide is a photograph of a person sitting on a dark metal park bench. The person is wearing a dark jacket and a light-colored backpack. They are holding a large, bright orange umbrella that is open. The scene is outdoors, with trees and foliage visible in the background, suggesting a park or a wooded area. The overall tone of the image is somewhat muted, with the orange of the umbrella providing a strong contrast.

cafii acifa

The Canadian Association of
Financial Institutions in Insurance | L'association canadienne des
institutions financières en assurance

Credit Protection Insurance Offered By CAFII Members

Making insurance simple and accessible for Canadians
Rendre l'assurance simple et accessible pour les Canadiens



Credit Protection Insurance Overview

Credit Protection Insurance (CPI)



In the case of:

Death

Disability

Critical illness

Job loss

CPI will help to:

Pay off debt

Make payments

Postpone payments

Simple, accessible and affordable



87%

87% of Canadians with CPI on their mortgages and Home Equity Lines of Credit (HELOCs) say 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.*



70% of Canadians with CPI say CPI is an affordable insurance option*



83% of Canadians with CPI coverage said it is an effective way to protect themselves and their families from unexpected life occurrences.*

*Source: Results taken from a national online survey of 1,003 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.

Coast-to-coast access

Financial institutions

BMO



fii ifa

Insurers

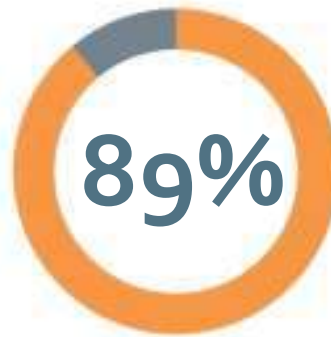


cumis



Paid claims and peace of mind

An independent Pollara study found that 92% of Canadians who had purchased CPI said that the coverage gave them “peace of mind” that their family would be protected in the event of a death or disability.



89% of survivors/next-of-kin who made a CPI life insurance claim reported that it was paid*



80% of Canadians with CPI report satisfaction with their claims experience*

*Source: Results taken from a national online survey of 1,003 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.



Sobering statistics

Inadequate coverage

Half of the Canadian population
is neither prepared nor protected

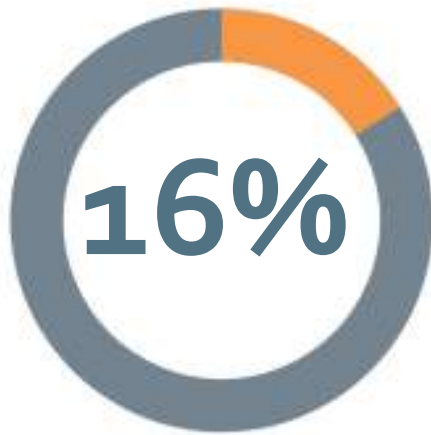


50% In 2019, half of Canadians
don't own life insurance coverage*

*Source: Figure taken from Canadian Life Insurance Ownership Study — 2019 Person-Level Report

Inadequate coverage

Significant gaps even among those who own life insurance



Only 16% have a life insurance policy that could cover their remaining mortgage payments in the case of death*



59

In 2016-2017 calendar year, the average age of life insurance claimants was only 59 years old*

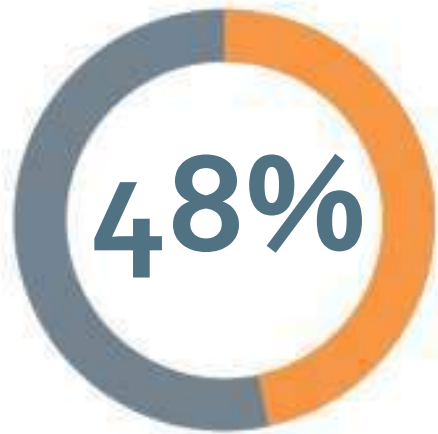
"You hear about that "what if" scenario all the time, then a "what if" is sitting in the chair across from you crying into her hands."

– Kevin S., Financial Advisor

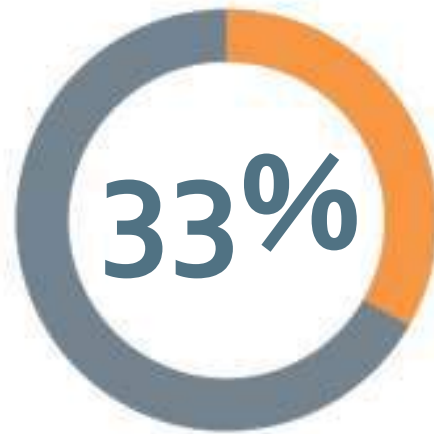
*Source: Edward Jones Study shows many Canadians vulnerable to a personal financial crisis, March 2017

Inadequate coverage

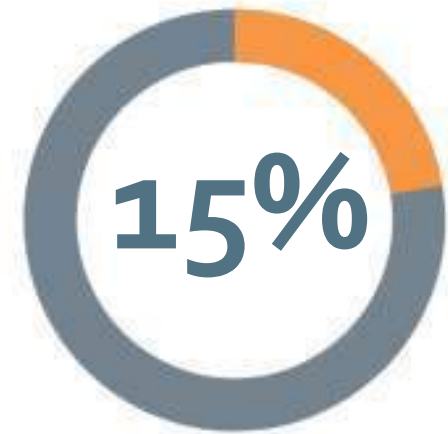
Job loss, disability and critical illness not accounted for



48% of Canadians do not believe they have enough money to cover unexpected, or even expected, expenses should a serious illness prohibit them from working



33% of working Canadians will experience a period of disability lasting longer than 90 days during their working lives



Only 15% of Canadians feel "very prepared" financially if they become too sick to work

*Sources: Edward Jones - Study shows many Canadians vulnerable to a personal financial crisis, March 2017; A Guide to Disability Insurance, Jan 2018. <http://clhia.uberflip.com/i/199350-a-guide-to-disability-insurance/3>; Edward Jones via Leger online panel of 1564 Canadians in Oct 2016

Inadequate coverage

Coverage gaps disproportionately affect lower and middle-income families



<50%

Just less than half of husbands earning less than \$35,000 own any life insurance*

.....

*Source: Figure taken from Canadian Life Insurance Ownership Study — 2019 Household Trends Report

Rising debt levels

At the same time, Canadians are more indebted than ever

In 2019 average
consumer had over
\$70,000 in debt

26% say they don't make
enough to cover bills &
debt payments at the end
of each month

50% say they're within
\$200 of not being able to
cover their monthly bills

Owe almost **\$1.72** for every
dollar of disposable income

Average non-mortgage
debt is over **\$31,000**

Canadians have over **\$100bn**
in outstanding credit card
balances

Last year **375** Canadians
per day went insolvent

*Sources: <https://www.cancer.ca/en/cancer-information/cancer-101/cancer-statistics-at-a-glance/?region=on>; <https://www.canada.ca/en/public-health/services/publications/diseases-conditions/report-heart-disease-Canada-2018.html#s3-1>; http://www.ontariostrokenetwork.ca/wp-content/uploads/2013/07/Final_Fact_Sheet_Stroke_Stats_3.pdf

Uncertain times

Critical illness, disability or job loss a reality many Canadians will face

1 in 2 Canadians will develop cancer in their lifetime

Over **50,000** strokes in Canada every year or 1 stroke every **10** minutes

Strokes **leading cause of adult disability** in Canada

Canadians spend a total of **three million days** in hospital because of strokes every year

In November 2019 alone, the Canadian economy lost over **70,000** jobs

Canadian unemployment rates are projected to steadily rise over the next 5 years reaching **6.5%** in 2024

*Sources: <https://www.cancer.ca/en/cancer-information/cancer-101/cancer-statistics-at-a-glance/?region=on>; <https://www.canada.ca/en/public-health/services/publications/diseases-conditions/report-heart-disease-Canada-2018.html#s3-1>; http://www.ontariostrokenetwork.ca/wp-content/uploads/2013/07/Final_Fact_Sheet_Stroke_Stats_3.pdf





Closing the gap

Having the “what if?” conversation

If it isn't offered, most people won't seek it out



90%

90% of Canadians have never been offered critical illness insurance*

Having the insurance conversation opens a difficult – but critical – dialogue to help people understand their risks – and what's available to them

*Source: Insurance and Investment Journal, Life insurance: Canadians rarely solicited but consider the product important – Munich Re commissioned IPSOS survey March 2016

Meet Marie

\$300,000
mortgage
remaining

20-year
amortization

Primary
income
earner



Owns life
insurance through
her employer

2 kids, one in
daycare one in
school

Debts have a way of adding up

Takes out \$50,000
HELOC for home
renovations

Leases a car
for new job
opportunity



Puts new furnace
on credit card

What if something happens?

Cannot afford
daycare, affecting
employability

Credit rating
plummets

No coverage for
job loss, disability
or critical illness

Family's lifestyle
dramatically
altered



Can't
afford car

Experiences
depression

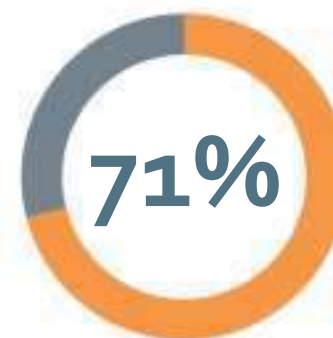
Life insurance
insufficient to cover
mortgage

Loses family
home

What if she had the conversation?



Marie's not alone



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.

*Source: Results taken from a national online survey of 1,003 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.



Sales practices built on the fair
treatment of customers

Coverage is optional

Multiple accountabilities and product features reinforce optional nature of coverage

Bank client service representatives are **trained to communicate that CPI is optional, in keeping with** CBA Code of Conduct for Authorized Insurance Products

Coverage can be **cancelled at any time**

Customers have an initial **period of 10 to 30 days**, within which they may cancel coverage and receive a full premium refund

Tied selling is strictly prohibited in legislation for banks



Accurate information

Comprehensive and recurring training to ensure consumers receive accurate and reliable information

Staff adheres to scripts and protocols:

- ✓ Carefully developed
- ✓ Contain proper disclosure
- ✓ Calls are routinely recorded and monitored

CAFII member FIs educate those offering CPI through:

- ✓ Individual coaching
- ✓ Formal CPI training programs
- ✓ Team huddles

Post sale reviews ensure customers understand and can give expressed consent

Clear documentation

Disclosure prioritizes informed purchase decisions



Certificates of insurance

- ✓ Eligibility conditions
- ✓ Features and benefits
- ✓ Limitations
- ✓ Exclusions

Clear & simple processes for making a claim

- ✓ How to submit a claim
- ✓ Insurer's name and contact information
- ✓ Premium charges
- ✓ Statement that the coverage is optional and voluntary
- ✓ Review period within which coverage may be cancelled for a full premium refund

Rigorous complaint process

Significant back-end work to ensure
fair front-end sales practices

Escalated consumer complaints are tracked and resolved through the independent Ombudsman for Banking Services and Investment (OBSI); ADR Chambers Banking Ombuds Office, or the Ombuds Service for Life and Health Insurance (OLHI); and the AMF, as appropriate.

CPI insurers track and report complaints to the **new national database** rooted in the CCIR Annual Statement on Market Conduct

CPI insurers **monitor spikes of cancellations** at 30, 60, 90 days

There have been so few complaints to regulators about CPI products that the number is statistically insignificant.

Consumer satisfaction a priority

Making sure consumers understand their coverage

At the time of signing up
for their CPI coverage:

90%

90% of insureds said they understood “very well” or understood somewhat their credit protection insurance terms.

74%

74% of insureds said they were satisfied with the information provided to them to make an informed purchase decision.

77%

77% of insureds reported satisfaction with the product explanations provided to them

*Source: Results taken from a national online survey of 1,003 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.

PLACEHOLDER SLIDE

Placeholder slide for statistical data on the industry and insurance premiums that is being developed right now DATA TO COME



Strict industry guidelines
and robust regulation

Self-regulated

Governed by strict industry guidelines through mandatory participation



Insurance companies are **required to adhere to CLHIA Industry Guidelines** for CPI product design and distribution, in particular, *G7 Creditor's Group Insurance* and *G9, Direct Marketing*.

Insurers and DTIs are **required by law to have extensive complaint tracking systems** in place to identify and resolve emerging issues. Details on how to file a complaint are included in **disclosure documents**.

CBA Code of Conduct for Authorized Insurance Activities outlines the minimum standards of the bank representatives who promote authorized insurance products across Canada

Provincially regulated

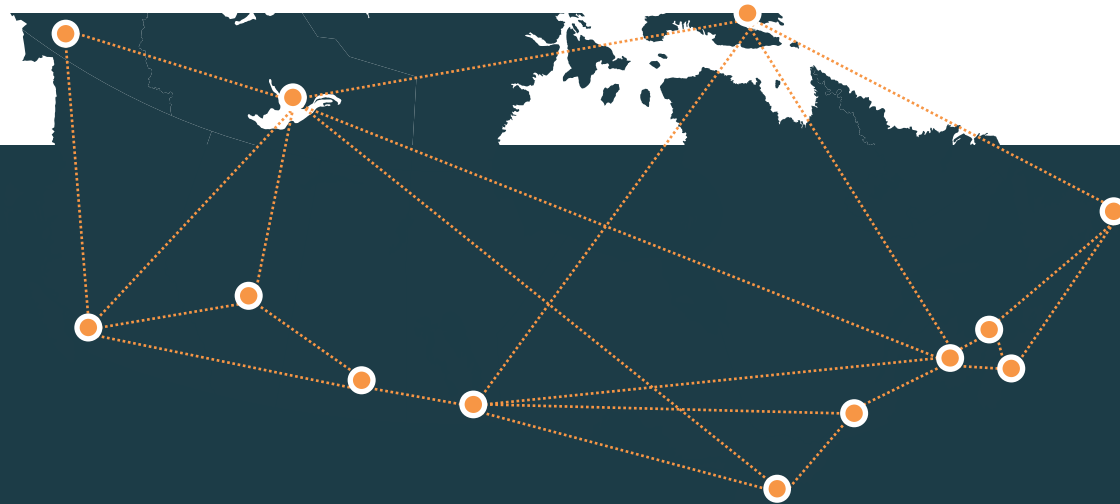
Fair treatment of customers integral to provincial regulators



CCIR / CISRO Fair Treatment
of Customers Guideline a top priority

Robust provincial regulation network

Established conduit for communication among member jurisdictions



Federal oversight

Working in dialogue to ensure fair treatment of consumers

Financial Consumer Agency of Canada (FCAC)

Monitors and enforces compliance with federal consumer protection measures

Prescribed federal legislation and regulations

The Bank Act and the related Insurance Business (Banks and Bank Holding Companies) Regulations control key market conduct issues such as tied selling and privacy





Looking forward

Questions

Keeping the conversation going



cafi acifa

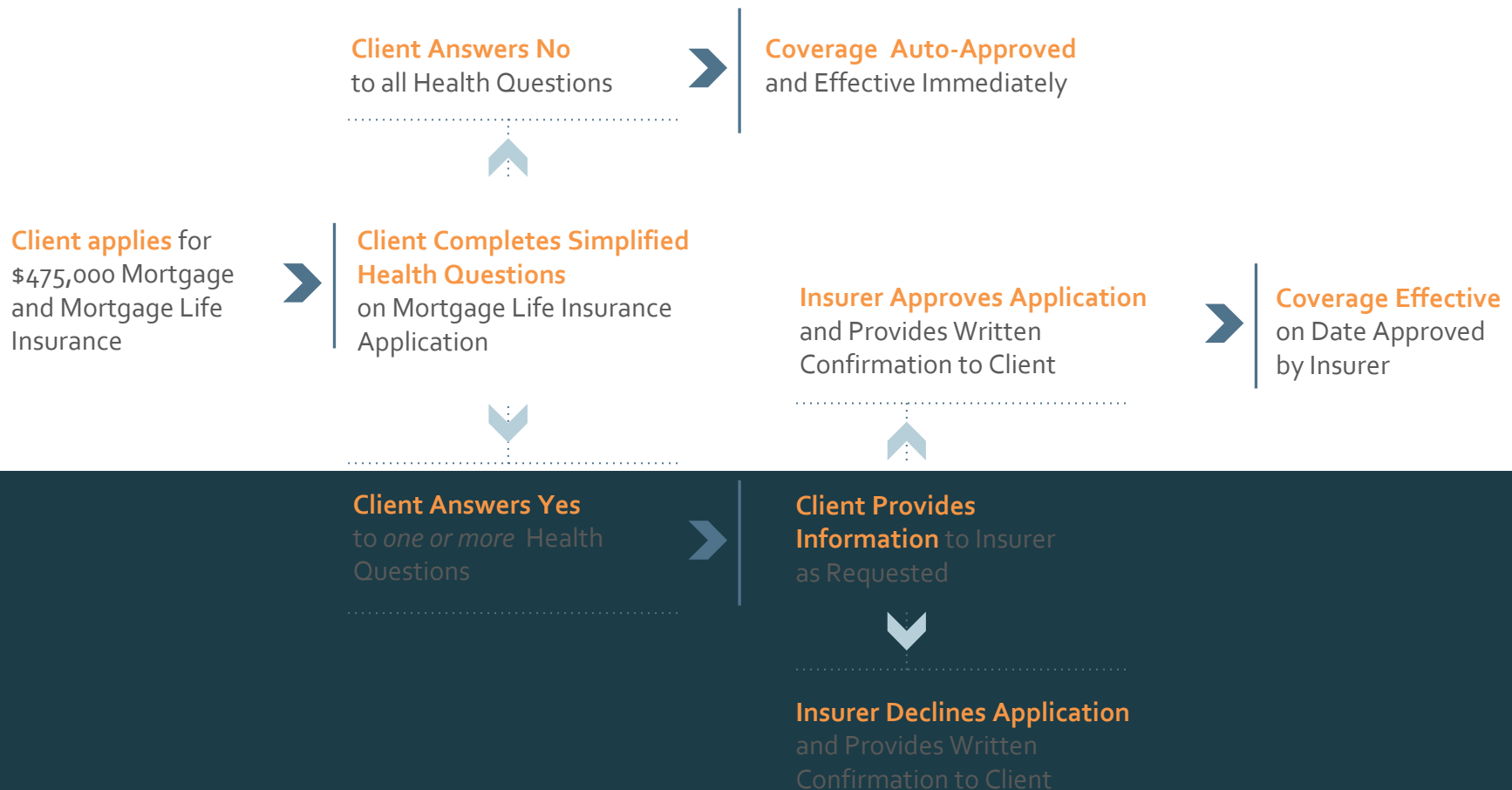
The Canadian Association of
Financial Institutions in Insurance

Association canadienne des
institutions financières en assurance

Appendix



Simple application process



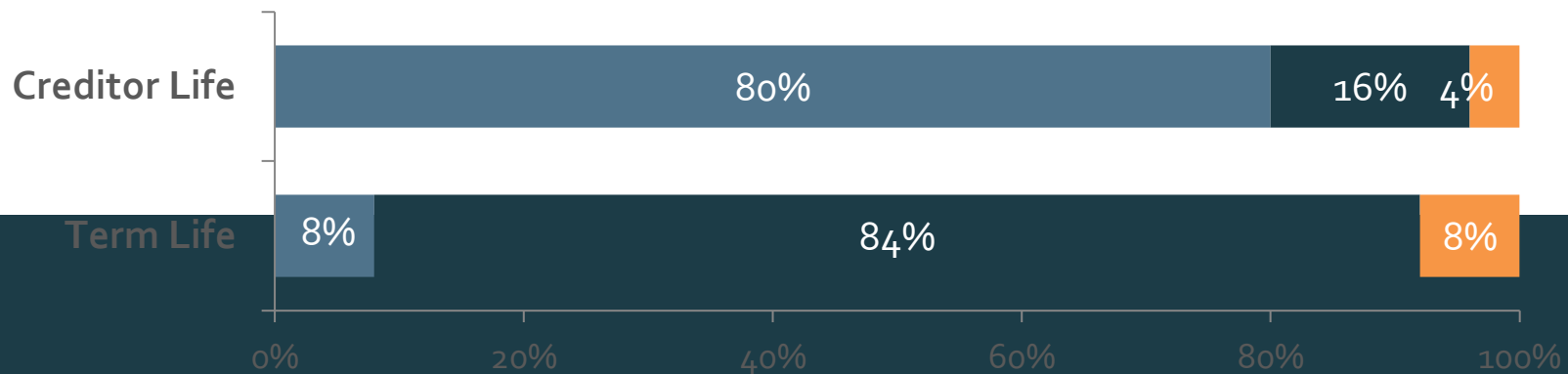
Easy approval process

Industry Application Approval Rates for Mortgage Life and Term Life Insurance*

■ Auto-Approved

■ Approved in Underwriting

■ Declined



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

Accessible to more people

Insurance Application

Credit Protection Insurance

Pre-existing Condition

6-24 months prior to application

Not covered for
Pre-existing Condition
Other claims covered

0-12 Months

Covered for all claims
Including Pre-existing
Conditions

Month 12+

Individual Insurance

Up to 5 years prior to application

Flexible underwriting

Small amounts

Guaranteed issue with a pre-existing condition provision

Specific medical conditions

Tele-underwriting or longer questionnaire

Medical testing

Coverage approved or declined



Higher amounts

Simplified health questions

Broad ranges of risk

Accepted at standard rates

Extent of underwriting required is generally based on amount of coverage sought

Affordable option

Often less costly than other forms of insurance*

Individual Disability Insurance

Credit protection disability insurance is less expensive than Class 2A (i.e. clerical employees) individual disability insurance for all ages, amounts and genders

Individual Critical Illness Insurance

Credit protection critical illness insurance is less expensive than individual critical illness insurance for all ages, amounts and genders.**

Credit Protection Life Insurance

Credit protection life insurance is less expensive than Term 20 life insurance for more than half (55%) of the customer profiles covered in the study.

*Source: *Towers Watson September 2015 Report: Comparison of the Customer Value Proposition of Creditor's Group Insurance with Individual Insurance (using 2013 data)
** While critical illness credit protection covers the three most common type of illnesses for which benefits are paid (cancer, heart attack and stroke), its total coverage is not as broad as individual coverage. According to the Munich Re Individual Life Insurance Survey based on individual policy claims in Canada until the end of 2009, cancer, heart attack and stroke are the most common types of illnesses for which benefits are paid for Individual Critical Illness policies. These three illnesses account for 86% of paid claims.

Appropriate adjudication

Post-claims underwriting (PCU) **not practiced**



Insurers have **statutory right to deny a claim** due to material misrepresentation within a two-year contestability period, which is not unique to CPI products.

As do their counterpart underwriters of other types of insurance, insurers of CAFII member-distributed CGI adjudicate all claims **in accordance with the contract provisions set out in the certificate of insurance given to the consumer**, e.g. benefits will not be paid for death due to suicide within the first two years of coverage

***Agenda Item 5(f)(ii)
February 25/20 EOC Teleconference Meeting***

From: Arlitt, Michael <Michael.Arlitt@WillisTowersWatson.com>
Sent: February-20-20 8:59 AM
To: Keith Martin <Keith.Martin@cafii.com>
Cc: Brendan Wycks <brendan.wycks@cafii.com>; Bino, Pascal <Pascal.Bino@WillisTowersWatson.com>
Subject: Creditor Insurance Survey Info

Hi Keith,

I realize that you are off this week, but we thought we would follow-up in sending along the key data and information from our creditor insurance survey per the six files attached. There is one file related to product/benefit comparisons, and a separate file for insurance premium rate comparisons amongst the participants for each of the following products:

- Mortgage Insurance
- Line of Credit Insurance
- Personal Loan Insurance

This amounts to a total of six files, which are focused solely on comparatives amongst the CAFII participants we have discussed.

Pascal sent along email releases to each participating institution last week (which you and Brendan would have been copied), so our contacts that we deal with at each CAFII member financial institution are aware of its use for this purpose (along with the CAFII executive sponsor from each respective organization).

Should you have any questions regarding the attachments, please let us know.

Hope you are enjoying your vacation!

Mike

Michael Arlitt, ASA
Vice President, Affinity

Willis Towers Watson
Willis Canada Inc. | 100 King Street West, Suite 4700 | PO Box 470 | Toronto, Ontario M5X 1E4

From: Bino, Pascal <Pascal.Bino@WillisTowersWatson.com>

Sent: February-14-20 3:45 PM

To: Denzyl Monteiro <denzyl.monteiro@scotiabank.com>

Cc: bradley.kuiper@scotiabank.com; Keith Martin <Keith.Martin@cafii.com>; Brendan Wycks <brendan.wycks@cafii.com>; Arlitt, Michael <Michael.Arlitt@WillisTowersWatson.com>

Subject: CAFII - Supporting information for FCAC presentation

Dear Denzyl:

Willis Towers Watson (WTW) has been retained by CAFII to support the delivery of a presentation to the Financial Consumer Agency of Canada (FCAC). We are helping CAFII by providing supporting information from CAFII participants to the December issue of our quarterly creditor insurance survey. The purpose of this email is to inform you that we will be utilizing information derived from the survey and transmitting it to CAFII to support the development of the FCAC presentation.

Our contacts at CAFII who are driving this mandate are copied on this email, along with your organization's executive sponsor of CAFII.

Should you have any questions or concerns regarding this approach, please let us know.

Kind regards,
Pascal

Pascal Bino
Senior Consultant
Affinity and Special Risks

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Agenda Item 5(h)
February 25/20 EOC Teleconference Meeting

From: Ewen, Dallas <dallas.ewen@canadalife.com>

Sent: February-14-20 5:58 PM

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

Subject: RE: Proposed Amendments To Regulations Under Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada); and Potential Impact Upon Life Insurers, Brokers, and Agents

As CAFII members will be aware, the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada) is a federal statute that imposes compliance obligations on entities, with the objectives of detecting and deterring money laundering and terrorist financing, responding to the threat of organized crime by providing needed information to law enforcement, and to assist in fulfilling Canada's international commitments to fight transnational crime, particularly money laundering, and to fight against terrorist activity.

Life insurance companies have limited compliance obligations under this law, related to life insurance and annuity products.

However, the Regulations under the Act have been revised to provide that life insurance companies, brokers and agents are now subject to the same obligations as financial entities when they offer loans or pre-paid products to the public, or maintain accounts with respect to such products.

The following types of loans, though, are exempt:

- Policyholder loans made with respect to terminal illnesses ("life advances");
- Policyholder loans made to finance the policy;
- Advance payments to which the policyholder is entitled.

In addition, life insurance companies will be required to make a PEP (politically exposed person) determination in cases where they remit \$100,000 or more over the duration of an annuity or life insurance policy. Life companies will of course remain subject to the rules regarding recordkeeping and reporting suspicious transactions.

The new regulatory requirements for life insurance companies are noted to come into force on June 1, 2021."
<http://gazette.gc.ca/rp-pr/p2/2019/2019-07-10/html/sor-dors240-eng.html>

Regards,

Dallas G. Ewen

Assistant Vice-President and Senior Counsel

100 Osborne Street North

Winnipeg, Manitoba, Canada R3C 3A5

tel: 204.946.7216

fax: 204.946.4405

email: dallas.ewen@gw.ca

Agenda Item 5(i)
February 25/20 EOC Teleconference Meeting

From: Keith Martin <Keith.Martin@cafii.com>

Sent: February 12, 2020 12:18 PM

To: Members of CAFII Credit Protection Insurance Industry Best Practices Working Group

Subject: CAFII Working Group on CPI Best Practices--Call for Volunteers for Workstream B on Sales Practices

Hello Members of the Working Group on Credit Protection Insurance Best Practices:

The Working Group on CPI Best Practices includes a Workstream B on sales practices. It was too large a Workstream, and the members of the Working Group became bogged down. As a result, I have reallocated the items into five sub-buckets, to make it more manageable, with a Workplan for each.

We have found / are finding leads for each of the five Workstreams, and are now looking for volunteers to participate in the five new Workstream B meetings. Please let Brendan, Natalie, and I know by end of this week if you can participate in one of these Workstreams:

Workstream B (1)

[Sales Practices](#)

Workstream B (2)

[Sales Communication](#)

Workstream B (3)

[Post Sales Conduct](#)

Workstream B (4)

[Sales Practices Controls and Training Including in Different Channels](#)

Workstream B (5)

[Sales Practices -- Cancellations of Policies / Conflicts of Interest \(From Workstream C\)](#)

Keith Martin

Co-Executive Director / Co-Directeur général

Canadian Association of Financial Institutions in Insurance

L'association canadienne des institutions financières en assurance

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Workstream B (1)

Sales Practices

Workstream B (1) Members

Name	Member Company
Martin Boyle, Lead	BMO Insurance

Recommended Approach

- Identify a leader for this Workstream B(1)—will reach out to this person and ask if they agree
- Get buy in to the Workplan
- Ask members of the Best Practices Working Group to volunteer for this Workstream

Features of Workstream B(1)

- Focus on sales practices
- Will overlap with the other Workstream B groups as this touches on all aspects of Workstream B

Workplan

- When members of the Workstream are finalized, **two** one-hour meetings to be called to make progress on this sub-group.
- After all Workstream B sub-groups have had their meetings, a meeting will be called of all members of Workstream B. Each Workstream B sub-group will present at this meeting on its progress, with the objective of developing a consolidated plan.

Recommended Leader

- **Martin Boyle**

Workstream B (1)**Sales Practices****Background Content**

Develop a summary of the sales practices used by CAFII members, for the Working Group's review re possible inclusion in a best practices document.	<i>Findings; Sales culture, from the FCAC Domestic Bank Retail Sales Practices Review, Page 6: "...The lack of transparency about sales targets and commissions makes it difficult for consumers to determine in whose interest bank employees are acting when one product is recommended over another."</i>	3 Focus on "recommend one product over another" Are not "recommending" products, need established by loan No advice built into these products Don't focus on sales targets; have there been other things built into the sales process? Cancellation of sales can be a signal that sales process was not right Everyone has compliance metrics for their reps Challenge idea that commissions and targets mean there is a problem What did the banks say to the FCAC on this point? SEND SALES PRACTICES TO KEITH Marie Nadeau to send to Keith
Remind regulators that the "free look" period is shared in the welcome package they receive after enrolling for coverage. In the Action Item section on using better terminology, change "fee look period" to "review period." Commit to a regular communication with customers of what they had signed up for, what it covered them for, and what	<i>Creditor Insurance; Reconfirmation of Purchase/Enrolment after "free look" period, from Financial Consumer Agency of Canada (FCAC)'s Domestic Bank Retail Sales Practices Review, p. 14: "However, it is important to highlight that banks are not required to ask consumers to reconfirm their consent for acquisition of the product after the initial 30-day period (free look period)."</i>	#33 NEW MEETING 17 OCT 2019 ROB DOBBINS; SCOTT KIRBY; KEITH MARTIN; MARIE NADEAU; SHARON APT This is not something we do. It is covered by the commitment made around regular communication.

they were paying for the coverage. Commit that industry will not use the review period as a selling tool and that scripts and sales training will continue to emphasize that.		
<p>The industry commits to not enrolling customers who are not eligible for the coverage. The industry should look at additional disclosures and filters to avoid signing up customers for coverage for which they are not eligible. The industry could look at sharing with regulators industry's eligibility criteria. There should be an effort to come up with a common definition of "resident of Canada."</p>	<p><i>Creditor Insurance; Consumer risks associated with creditor insurance, from Financial Consumer Agency of Canada (FCAC)'s Domestic Bank Retail Sales Practices Review, p. 14: "... Bank employees may sell creditor insurance to post-secondary students to go along with a personal line of credit but neglect to inform them that they need to work a minimum number of hours for the coverage to be in force."</i></p> <p><i>Improved Sales Practices, from Australian Securities & Investments Commission's "Consumer credit insurance" report, Report 622, July 2019, pp. 4, 13-16: "Lenders should use 'hard filters' for key eligibility criteria for online sales and 'knock out' questions in scripts for phone and branch sales to prevent the sale of CPI to consumers who are ineligible to claim primary cover."</i></p>	<p>#34 and #35</p> <p>Life cycle issue, coverage could change as life circumstances change. Working Group members will be asked to offer examples of filters, like age, that remove people who are not eligible for coverage.</p>
<p>Set out clearly for the regulators the current industry practices, including the where, when and how of current communication. Challenge this statement, noting that all training and scripts emphasize the optional nature of balance protection insurance and this statement does not reflect how CAFII members' sell this product. Where a sales person deviates from these expectations, it is taken very seriously, viewed as rogue</p>	<p><i>Creditor Insurance; Consumer risks associated with creditor insurance, from Financial Consumer Agency of Canada (FCAC)'s Domestic Bank Retail Sales Practices Review, p. 14: "... Front-line employees may sell creditor insurance by advising consumers that "the credit card comes with balance protection," which may give consumers the impression that creditor insurance is a card feature, as opposed to what it really is: a separate and optional product."</i></p>	<p>#36</p> <p>Provide examples of our practices. Look at ways to present this and what to avoid in terms of language. Do not believe this is a systemic issue.</p>

behaviour, and is dealt with immediately. Set out how industry discloses clearly and consistently the optional nature of this coverage.		
See Item #36. Look at whether there are terminology changes in this section that industry should consider.	<p><i>Creditor Insurance; Consumer risks associated with creditor insurance, from Financial Consumer Agency of Canada (FCAC)'s Domestic Bank Retail Sales Practices Review, p. 14: "Bank employees may try to persuade consumers to purchase creditor insurance by failing to provide clear information about the 30-day first-look feature. For example, when consumers ask questions about coverage exclusions, bank employees may encourage them to purchase the product on a trial basis in order to obtain an information package, even though the information is available without purchase. During the review, the FCAC found that some consumers forget to cancel the product and incur premium payments."</i></p>	<p>#37 This represents a biased view. Industry is operating appropriately. It is not necessary to continuously repeat that the customer can cancel.</p> <p>"Free look" term is problematic. Need to take on new terms, perhaps with other members from other workstreams. Ask the rest of the group if anyone would like to take this on.</p> <p>Should we speak of a "30 day return period" or "30 day cancellation period"? Or 30 day review period?</p>

Workstream B (2)

Sales Communication

Workstream B (2) Members

Name	Member Company
TO BE CONFIRMED	

Recommended Approach

- Identify a leader for this Workstream B(2)—will reach out to this person and ask if they agree
- Get buy in to the Workplan
- Ask members of the Best Practices Working Group to volunteer for this Workstream

Features of Workstream B(1)

- Focus on sales communication-how do we communicate with our customers?
- A key issue is how prescriptive we wish to be—do we say “communicate regularly” or “communicate no less than once a year with clear information on how to cancel a policy if you no longer wish to keep it”?

Workplan

- When members of the Workstream are finalized, **one** one-hour meeting to be called to make progress on this sub-group.
- After all Workstream B sub-groups have had their meetings, a meeting will be called of all members of Workstream B. Each Workstream B sub-group will present at this meeting on its progress, with the objective of developing a consolidated plan.

Recommended Leader

- **TO BE CONFIRMED**

Workstream B (2)**Sales Communication****Background Content****Sales Communication**

Develop a regular communication to customers and include this in that effort.	<i>Improved Post-Sales Conduct, from Australian Securities & Investments Commission's "Consumer credit insurance" report, Report 622, July 2019, pp. 4, 13-16: "Lenders and insurers should give consumers appropriate annual communication about the price, limits and exclusions of the policy and remind them to lodge a claim if they had a claimable event in the past 12 months."</i>	<p>21</p> <p>Do something every two years?</p> <p>What should be in the communication?</p> <p>What is format/channel?</p> <p>"Leave the method and timeliness flexible for firms"</p> <p>LET'S SAY ONE YEAR MAKES SENSE</p> <p>Don't prescribe the communication method</p> <p>Perhaps say "clear, with opportunity to cancel easily"</p>
Develop a regular communication to customers and include this in that effort, but do not ask customers if they want to cancel their policy.	<i>Improved Post-Sales Conduct, from Australian Securities & Investments Commission's "Consumer credit insurance" report, Report 622, July 2019, pp. 4, 13-16: "Lenders and insurers should, every two years, contact consumer with CPI on a credit card (or other revolving lines of credit) about whether they want to keep their policy or cancel their coverage."</i>	<p>22</p> <p>SEE 21</p>

Workstream B (3)

Post Sales Conduct

Workstream B (3) Members

Name	Member Company
Rob Dobbins, Lead	Assurant

Recommended Approach

- Identify a leader for this Workstream B(3)—will reach out to this person and ask if they agree
- Get buy in to the Workplan
- Ask members of the Best Practices Working Group to volunteer for this Workstream

Features of Workstream B(3)

- Focus on post sales conduct
- Will overlap with the other Workstream B groups but need to emphasize the process after the sale is complete—what are the special features around post-sales conduct, including claims?

Workplan

- When members of the Workstream are finalized, **two** one-hour meetings to be called to make progress on this sub-group.
- After all Workstream B sub-groups have had their meetings, a meeting will be called of all members of Workstream B. Each Workstream B sub-group will present at this meeting on its progress, with the objective of developing a consolidated plan.

Recommended Leader

- **Rob Dobbins**

Workstream B (3)
Post Sales Conduct
Background Content

Post Sales Conduct

Develop wording for a best practices guideline along the lines of: "If a distributor becomes aware of a customer with a possible insurable event they should suggest that they contact their insurer."	<i>Improved Post-Sales Conduct, from Australian Securities & Investments Commission's "Consumer credit insurance" report, Report 622, July 2019, pp. 4, 13-16: "Lenders should notify a consumer with a CPI policy who applies for changes to their loan contract due to financial hardship that they have a CPI policy and provide or transfer their claim details to the insurer for assessment."</i>	23 Getting something in the annual communication reminding people of claimable events Make this part of the annual communication Marie will see how this works in NBI
The industry supports and will comply with the requirement to accurately and reliably record claims denied including the number of such claims and the reasons why.	<i>Improved Post-Sales Conduct, from Australian Securities & Investments Commission's "Consumer credit insurance" report, Report 622, July 2019, pp. 4, 13-16: "Insurers should accurately and reliably record the number of (and reasons for) withdrawn claims and claims that did not proceed."</i>	24 What does withdrawn mean? Voiding policy issue Reasons for denial
Explore ways in which to ensure customers who sign up for a product are eligible to make a claim on it, and identify what the industry could commit to – in terms of a high-level principle or best practice -- that would improve regulators' comfort that customers are not being enrolled in products for which they are not able to make a claim.	<i>Improved Sales Practices, from Australian Securities & Investments Commission's "Consumer credit insurance" report, Report 622, July 2019, pp. 4, 13-16: "Lenders should take into account information they have about the consumer to ensure consumers are not being sold a CPI policy where they are ineligible to claim (this does not have to mean that personal advice is being provided)."</i>	#48 Working group See sections 23, 34 and 35

Workstream B (4)

Sales Practices Controls and Training Including in Different Channels

Workstream B (4) Members

Name	Member Company
Karyn Kasperski	RBC Insurance

Recommended Approach

- Identify a leader for this Workstream B(4)—will reach out to this person and ask if they agree
- Get buy in to the Workplan
- Ask members of the Best Practices Working Group to volunteer for this Workstream

Features of Workstream B(4)

- Focus on controls and training
- Emphasis on process and procedures

Workplan

- When members of the Workstream are finalized, **two** one-hour meetings to be called to make progress on this sub-group.
- After all Workstream B sub-groups have had their meetings, a meeting will be called of all members of Workstream B. Each Workstream B sub-group will present at this meeting on its progress, with the objective of developing a consolidated plan.

Recommended Leader

- **Karyn Kasperski**

Workstream B (4)**Sales Practices Controls and Training Including in Different Channels****Background Content****Sales Practices Controls and Training Including in Different Channels**

Document the procedures and controls used by insurers and intermediaries, including front end controls, competency development, training and education, scripting, and monitoring and controls. Note that where improper behaviour is identified, it is dealt with immediately. Listening to small numbers of calls can identify broader issues that can be dealt with immediately. The industry could also update and enhance training based on expanded regulatory expectations. We should also tie remediation to the fair treatment of customers.	<i>Creditor Insurance; Controls for creditor insurance sales practices; Scripts and cues, from Financial Consumer Agency of Canada (FCAC)'s Domestic Bank Retail Sales Practices Review, p. 15: "... Banks do not have adequate controls in place to ensure employees follow scripts, clearly explain terms and conditions, and avoid using undue sales pressure. Oversight is greater in call centres where calls are recorded, but only a very small number are reviewed for compliance with the bank's code of conduct and market conduct obligations. In the branch environment, banks largely rely on branch managers, assistants and supervisors to prevent mis-selling."</i>	<p>#38</p> <p>Working group</p> <p>Follow cancellation rates in order to reinforce training in branches where cancellation rates are higher.</p> <p>Robust training programs and-Certification of training</p> <p>(face to face selling harder to monitor than sales through call centers in the absence of recording)</p> <p>MYSTERY SHOPPING? WHO WOULD DO IT?</p>
Develop best practices guidelines to address each of these specific expectations.	<i>Controls for sales practices; Telephone channel, from Financial Consumer Agency of Canada (FCAC)'s Domestic Bank Retail Sales Practices Review, pp. 20-21: "... FCAC found that in bank call centres where employees take 1,400 calls per month, generally up to 4 calls are reviewed for quality assurance purposes. ... Banks should review a higher number and larger proportion of calls for quality assurance. Implementing voice analytic technology could reduce the costs associated with reviewing more calls. In addition, call selection should be risk-based instead of random. When sales practices issues are identified during call reviews, banks should perform significantly more root-cause analyses."</i>	<p>#39</p> <p>Working group</p> <p>Call selection should be risk based instead of random</p> <p>Quality of sampling should be prioritized to quantity for monitoring.</p> <p>Smaller samples could be reviewed more regularly</p> <p>Oversight should focus on risk items.</p> <p>QUALITY NOT QUANTITY IS WHAT IS IMPORTANT</p>

<p>The industry should commit to ongoing competency development. It was felt that instead of certification, there could be a commitment to industry standards around member courses. Industry could commit to ongoing training and to knowledge retention testing. Industry could commit to strengthened training.</p>	<p><i>Creditor insurance; controls for creditor insurance sales practices; Training, from Financial Consumer Agency of Canada (FCAC)'s Domestic Bank Retail Sales Practices Review, p. 15: "The review revealed that bank employees are not always adequately informed or knowledgeable about creditor insurance products. . . . During FCAC branch visits, employees provided inaccurate and incomplete information about the benefits, coverage and exclusions associated with creditor insurance when answering questions about how they sell the product. FCAC is of the view that there is room to strengthen the training of front-line staff."</i></p>	<p>#40 Working group</p> <p>Group agrees that appropriate training should be strengthened</p>
<p>Create a high-level principle around the assertion that all employees must be trained and monitored around sales practices, and only acceptable and appropriate sales practices will be practiced.</p>	<p><i>Cross-Selling, from Financial Consumer Agency of Canada (FCAC)'s Domestic Bank Retail Sales Practices Review, pp. 11-12: "Banks' heightened focus on cross-selling may increase the risk that they will fail to obtain consumers' express consent. . . . increases the risk that bank employees will feel rushed and not communicate in a manner that is clear, simple and not misleading when obtaining a consumer's consent."</i></p>	<p>#43 Working group</p> <p>See section 38.</p>
<p>Identify and detail a list of actions which organizations can take to ensure express consent is obtained, across all applicable channels, for possible inclusion in a high-level principle or best practice.</p>	<p><i>Controls for Cross-Selling Risk/Consent, from Financial Consumer Agency of Canada (FCAC)'s Domestic Bank Retail Sales Practices Review, p. 12: "The controls in place to ensure banks obtain consumers' consent through communication that is clear, simple and not misleading are typically weaker in the branch channel when compared to call centre operations. . . . In branches, managers and customer service supervisors are responsible for ensuring that employees read the scripts and cues. However, FCAC found that branch managers and supervisors are not well-positioned to ensure that express consent is always obtained in the prescribed manner."</i></p>	<p>#44 Working group</p> <p>See section 38.</p> <p>Follow cancellation rates and reinforce training if required in branches where rates are higher Monitoring could be accomplished by mystery client tool. Monitoring could be accomplished by Internal audit or other sector of branch/insurer.</p>

<p>Relegate this item to the “Not Applicable” section, as while the industry is in agreement that quality express consent is required, pre-consent to even broach making an offer of credit protection insurance to a consumer is not applicable to the Canadian market/industry context.</p>	<p><i>Improved Sales Practices/Consent, from Australian Securities & Investments Commission’s “Consumer credit insurance” report, Report 622, July 2019, pp. 4, 13-16: “Lenders should obtain and record positive, clear and informed consent before discussing the sale of CPI with a consumer.”</i></p>	<p>#45 Working group Will not comment.</p>
<p>Research best practices around call calibration including level of sample size, and explore committing industry to those best practices. Examine whether there are cases where certain products are not appropriate for certain customers, and whether that is something we would feel able to commit to including in our sales practices.</p>	<p><i>Controls for Cross-Selling Risk, from Financial Consumer Agency of Canada (FCAC)’s Domestic Bank Retail Sales Practices Review, pp. 12-13: “Banks record most conversations between consumers and call centre employees, which allows them to review transactions to verify whether employees are following the scripts and properly obtaining the consent of consumers. However, the review revealed that banks examine only a relatively small number of calls – too few, in fact, to provide a high-level of confidence that individual call centre employees are in compliance with policies and procedures related to obtaining consent.”</i></p>	<p>#46 Working group This section is similar to sections 38 and 39. Risk based approach to selection of calls should be prioritized (the fact that an employee knows he/she might be listened to will ensure better service). Depending on concerns, scripts can be enhanced or employee retrained.</p>

Workstream B (5)

Sales Practices -- Cancellations of Policies / Conflicts of Interest (From Workstream C)

Workstream B (5) Members

Name	Member Company
TO BE CONFIRMED	
Sharon Apt, volunteer	Canada Life

Recommended Approach

- Identify a leader for this Workstream B(5)—will reach out to this person and ask if they agree
- Get buy in to the Workplan
- Ask members of the Best Practices Working Group to volunteer for this Workstream

Features of Workstream B(5)

- Focus on cancelling policies and managing conflicts of interest

Workplan

- When members of the Workstream are finalized, **one** one-hour meetings to be called to make progress on this sub-group.
- After all Workstream B sub-groups have had their meetings, a meeting will be called of all members of Workstream B. Each Workstream B sub-group will present at this meeting on its progress, with the objective of developing a consolidated plan.

Recommended Leader

- **TO BE CONFIRMED**

Participants

Sharon Apt

Workstream B (5)**Sales Practices -- Cancellations of Policies / Conflicts of Interest (From Workstream C)****Background Content****Sales Practices -- Cancellations of Policies / Conflicts of Interest (From Workstream C)**

Explore applying a form of Quebec's RADM S35 as an industry practice, or alternatively explore clawbacks of commissions when certain cancellation thresholds are met.	<i>Creditor Insurance; Controls for creditor insurance sales practices; Claw backs from Financial Consumer Agency of Canada (FCAC)'s Domestic Bank Retail Sales Practices Review, p. 15: "Banks gather some data on cancellation rates, but they may not necessarily reflect instances of mis-selling as consumers may cancel the insurance for other reasons. Further analysis of cancellations by banks would enable the data to be used to monitor, identify and address sales practices risk."</i>	#41 Working group Group agrees that data analysis is already done by branches/insurer and might not need to be increased. Nevertheless, group suggests increasing the use of data cancellation to identify and address sales practices risks.
Develop a checklist of what to avoid in the area of conflicts of interest, and how to avoid those issues, for the Working Group's review re possible inclusion in a best practices document.	<i>Conflicts of Interest, from the CCIR/CISRO FTC Guidance, pp. 14-15: "CCIR and CISRO expect that any potential or actual conflicts of interest be avoided or properly managed and not affect the fair treatment of Customers."</i>	5
Review possible non-financial incentives that could be used to motivate sales forces, for possible inclusion in a high-level principle or industry best practice.	<i>Performance management; Non-financial incentives and Sales targets; Scorecards, from Financial Consumer Agency of Canada (FCAC)'s Domestic Bank Retail Sales Practices Review, pp. 8-10: "When properly designed, non-financial incentives can promote good sales practices and behaviours. The review identified opportunities for banks to significantly enhance the design, monitoring and oversight of non-financial rewards programs.</i> <i>. . . a number of banks have introduced, or are testing, activity-based targets to complement sales targets. This can mitigate the risk of mis-selling, as</i>	#49

	<p><i>employees are recognized for sales-related activities even in circumstances where consumers choose not to purchase any products or services.</i></p> <p><i>. . . Some banks have taken steps to integrate more team-based sales targets, which may mitigate the risk of mis-selling by reducing the pressure on individual employees to sell products and services.</i></p> <p><i>. . . Product-neutral sales targets could greatly mitigate the risk of mis-selling financial products and services to consumers.</i></p> <p><i>. . . Banks point to balanced scorecards as a key control to mitigate the risk of mis-selling and breaching market conduct obligations. In practice, however, the metrics used to assess an employee's sales results tend to be significantly more robust than those used to assess other areas of performance."</i></p>	
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Workstream C

Workstream #3 Incentives, Conflicts of Interest; and #4 Outsourcing

Items #5, 49; and #7, 42

UPDATE 17 October 17, 2019

Discussed merging work stream C (incentives and conflict of interest) with work stream B (move outsourcing to another work stream)

- Some overlap
- Issues like measures, complaints, cancellation & controls can be linked

Discuss non-financial incentives *

- Come up with a list of non-financial incentives (e.g. training, bonus)
- Reward performance review for good behavior
- Consider the use of surveys

*consider soliciting the group for a list of non-financial incentives.

Discussed providing commentary on the consequences of bad behavior

Arrive at standard metrics to monitor (KRI's)

Discussed whether similar measures should be applied to the branches vs. call centres

Look at competences

What does success look like?

Code of conduct or issue a consumer document on proper behavior / expectations of the consumer (role of seller & buyer)

Outsourcing

Applies to all outsourcing arrangements including insurers

- Criteria
- Reporting
- Selection
- KRIs
- SLA
- Identify what is quality service
- Follow compliance and regulation
- Ownership of data

Next steps

Ask for an insurer to join the group on outsourcing, merge incentives and conflict of interest with Workstream 2

7 November 2019—

B and Incentives will be merged

Outsourcing will be branched off and we need to get an insurer and SME

ASKING FOR 2 INSURERS

Sharon Apt will do it or find someone

Monika Spudas will get back to us

SHARON AND MONIKA WILL WORK ON OUTSOURCING FOR THE WORKPLAN

NEXT STEP IS TO DEVELOP THE OUTSOURCING WORKPLAN

SEE #7

After workplan is developed need to ask for volunteers again

Workstream C Members

Name	Member Company
Greg Caers	BMO Insurance
Marie Nadeau	National Bank Insurance
Monika Spudas	Manulife
Sharon Apt	Canada Life
Keith Martin	CAFII

Action Item	Wording Excerpt Reference From 3 October, 2019 Thought Starter	Number Reference, 3 October Thought Starter
Develop a checklist of what to avoid in the area of conflicts of interest, and how to avoid those issues, for the Working Group's review re possible inclusion in a best practices document.	<i>Conflicts of Interest, from the CCIR/CISRO FTC Guidance, pp. 14-15: "CCIR and CISRO expect that any potential or actual conflicts of interest be avoided or properly managed and not affect the fair treatment of Customers."</i>	5
Review possible non-financial incentives that could be used to motivate sales forces, for possible inclusion in a high-level principle or industry best practice.	<i>Performance management; Non-financial incentives and Sales targets; Scorecards, from Financial Consumer Agency of Canada (FCAC)'s Domestic Bank Retail Sales Practices Review, pp. 8-10: "When properly designed, non-financial incentives can promote good sales practices and behaviours. The review identified opportunities for banks to significantly enhance the design, monitoring and oversight of non-financial rewards programs.</i> <i>... a number of banks have introduced, or are testing, activity-based targets to complement sales targets. This can mitigate the risk of mis-selling, as</i>	#49

	<p><i>employees are recognized for sales-related activities even in circumstances where consumers choose not to purchase any products or services.</i></p> <p><i>. . . Some banks have taken steps to integrate more team-based sales targets, which may mitigate the risk of mis-selling by reducing the pressure on individual employees to sell products and services.</i></p> <p><i>. . . Product-neutral sales targets could greatly mitigate the risk of mis-selling financial products and services to consumers.</i></p> <p><i>. . . Banks point to balanced scorecards as a key control to mitigate the risk of mis-selling and breaching market conduct obligations. In practice, however, the metrics used to assess an employee's sales results tend to be significantly more robust than those used to assess other areas of performance."</i></p>	
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Action Item	Wording Excerpt Reference From 3 October, 2019 Thought Starter	Number Reference, 3 October Thought Starter
Develop a best practices statement on outsourcing, which is precise but not overly prescriptive, for the Working Group's review re possible inclusion in a best practices document.	<i>Outsourcing, from CCIR / CISRO FTC Guidance, pp. 16-17: "CCIR and CISRO expect that functions related to conduct of insurance business outsourced to service providers do not hinder the quality of services or jeopardize the Insurer's or the Intermediary's ability to achieve fair treatment of Customers."</i>	7 CBA has an authorized insurance products code of conduct
Create a high-level principle around the assertion that the industry must have the same oversight over third-party sellers as it does over internal sales forces. In principle, the oversight should/must not be weaker	<i>Creditor Insurance; Controls for creditor insurance sales practices; Third-party sellers, from Financial Consumer Agency of Canada (FCAC)'s Domestic Bank Retail Sales Practices Review, pp. 15-16: "General, re litany of FCAC concerns re "Consumer risks associated with third-party sellers"; in particular "bank</i>	42

externally than it is internally.	<i>oversight of third-party sellers remains underdeveloped and weaker than the oversight exercised over their own sales operations. Considering the elevated risk posed by third-party sellers, banks would benefit from buttressing their oversight of third-party sellers."</i>	
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Workstream D

Workstream #5 Product Design

Items #8, 10, 13

Workstream D Members

Name	Member Company
Joanna Onia	CIBC Insurance
Parminder Rai	CIBC Insurance
Luce Doyon	National Bank Insurance
Michelle Costello	CUMIS/The Co-Operators
Martin Boyle	BMO Insurance
Brendan Wycks	CAFII

Spokesperson Joanna Onia

UPDATE FROM JOANNA NOV 1 2019

Hi Keith- Thank you for your email, its timely as Parm and I had a chance to share our working groups draft with senior stakeholders internally for their feedback.

What came out quite strong was as part of our product design analysis can we include direct recommendations for product design (perhaps this could flow after the value section),

Some examples that came up in discussion were things like: ‘Should there be a guiding principles created around what as an industry we should do (i.e. creditor protection products being unbundled) vs. product design principles that we should not undertake/touch because they are not broken (benefits offered as an example)

It would be great to get a sense from the working group if we think we can push our thinking and create principles specific to the intrinsic product design. If we can get on a call next week that would be great. I am away on the 7th and 8th so unfortunately will not be able to provide an update, however can provide an email update that perhaps Brendan could share in my absence.

Also I wanted to inform the working group that Parm is on paternity leave effective today, and will be away for the next couple of months, we are down a resource but I am looking at securing a replacement from our team to assist as a product advisor.

Thank you

Joanna

7 November 2019

Andrea, Martin, Monika all were concerned about suggesting that bundling is a problem

Should push back on that

Need to respond to what the consumer wants

“let’s not paint members into a corner”

Keith noted that regulators are raising bundling more so we may want to think about how we want to respond to any such concerns

<u>Action Item</u>	<u>Wording Excerpt Reference From 3 October, 2019 Thought Starter</u>	<u>Number Reference, 3 October Thought Starter</u>
Develop high-level wording around what a creditor insurance product is intended to do, with an explanation of how products are designed, for the Working Group's review re possible inclusion in a best practices document.	<i>Product Design, from CCIR/CISRO FTC Guidance, pp. 18-19: "CCIR and CISRO expect that the design of a new insurance product or significant adaptations made to an existing product take into account the interests of the target Consumers' group."</i>	8
Develop a glossary of terms that the industry uses that could be better positioned, with suggested alternatives, for the Working Group's review re possible inclusion in a best practices document.	<i>Improved Product Design and Value (unbundling), from Australian Securities & Investments Commission's "Consumer credit insurance" report, Report 622, July 2019, pp. 4, 10-12: "CPI products should be unbundled so that consumers can select coverage they are eligible to use and that meets their needs."</i>	10
Develop wording around the value of credit protection insurance products for consumers, for the Working Group's review re possible inclusion in a best practices document.	<i>Improved Product Design and Value, from Australian Securities & Investments Commission's "Consumer credit insurance" report, Report 622, July 2019, pp. 4, 10-12: "Benefits should reflect the needs of consumers (e.g. payments for periods of unemployment rather than arbitrary limits)."</i>	13

Workstream E

Workstream #1 Governance and Culture; #6 Distribution Strategies and Consent; and #7 Disclosures and Consent; and #8 Product Promotion and Advertising

Items #14; and #15, 18; and #18, 19

Workstream E Members

Name	Member Company
Brad Kuiper	ScotiaLife Financial
Rebecca Saburi	BMO Insurance
Karyn Kasperski	RBC Insurance
Monika Spudas	Manulife Financial
Jeremy Flanagan	TD Insurance
Brendan Wycks	CAFII

Karyn Kasperski Spokesperson

UPDATE BY KARYN KASPERSKY—9 January 2020

CAFII Workstream E – Draft Guiding Principles

1. Reference item #15 – “CCIR/CISRO expect that a Customer is given appropriate information to make an informed decision before entering into a contract”
 - a. Agreement on draft Guiding Principle to be brought forward to Working Group – As a best practice, all members will provide a summary (associated with the product the consumer is considering) of the coverage, exclusions and any limitations in clear, simple language such that an informed decision before entering into a contract.
 - b. Action item – Brendan to obtain permission and then provide a copy to this working group of one of members’ product summary under development
2. Reference item #14 – Support the concept of “quality consent” that is equally met in each channel, with the following criteria: Question posed to a client for a product or service provided with the ability to decline; Use language and be presented in a way that the offer is clear to the client(s), with an affirmative response received from the client.
 - a. Agreement on draft Guiding Principle – As a best practice, all members will, prior to a consumer entering into a contract, articulate a clear request for consent prior to enrollment. The question should be presented in a way that is clear to the client with a clear affirmative response received. Suggestions for clear questions (discussion with Working Group – should these be part of the guiding principle)?
 - i. Bradley Kuiper (Scotiabank) provided the question his organization is working with “Do you understand and agree that you are applying for optional (Product/Product Name) and consent to have the product set up for you?”
 - ii. Suggestion #2 - Do you agree and consent to enroll based on terms and conditions I have provided you?”
 - b. Suggestions for clear affirmative response received (**discussion with Working Group** – should these be part of the guiding principle)? “yes”, “~~yeah~~”, “OK”, “I agree”

- c. **Discussion with Working Group** - if the clear affirmative response is not provided, clarification must be obtained from the client with the affirmative response – Example “In order to proceed, I require an affirmative response of either “yes”, “OK” or “I agree”
- 3. Reference item #18, #19 – “CCIR and CISRO expect that product promotional material is accurate, clear, not misleading and consistent with the result reasonably expected to be achieved by the Customer of the product”
 - a. Agreement on draft Guiding Principle - “All members as a best practice are expected to develop and maintain policies, procedures and controls around promotional messages developed and ensured they are reviewed and adhere to applicable laws and regulations regarding fair representation of products”.

The policies, procedures and controls would include a 2nd line review and approval by Legal and/or Compliance to ensure accuracy and clarity of the product being promoted.

- 4. Reference item #1 – “CCIR and CISRO expect fair treatment of Customers to be a core component of the governance and business culture of insurers and intermediaries”
 - a. Agreement on draft guiding principle – comments are welcome here. “All members as a best practice are expected to develop and maintain policies, procedures and controls around fair treatment of customers. This will include but not be limited to proactively seeking feedback from customers on their purchase experience, making clients aware of how to make and escalate concerns within a financial institution if they feel they have been treated unfairly in any dealings with staff or are concerned about the product they have received.”

7 June 2019

AMF Product Summary—should we offer this to consumer throughout the country?

Bundling versus unbundling issue

How deal with a student in a bundled product that includes job loss? May not qualify for some components. Should the offer even be made if they cannot qualify for certain benefits based on their circumstances?

Item #14 is next to be discussed

May need to discuss Certificate of Insurance

Martin—instead of AMF Summary, why not look at certificate?

Action Item	Wording Excerpt Reference From 3 October, 2019 Thought Starter	Number Reference, 3 October Thought Starter
Develop some options around possible high-level wording related to business culture, for the Working Group’s review re possible inclusion in a best practices document.	<i>Governance and Business Culture, from the CCIR/CISRO FTC Guidance, Page 13: “CCIR and CISRO expect fair treatment of Customers to be a core component of the governance and business culture of insurers and intermediaries.”</i>	1
Support the concept of “quality consent” that is equally met in each channel, with the following	<i>Distribution Strategies, from CCIR / CISRO FTC Guidance, p. 21: “CCIR and CISRO expect that distribution</i>	14

criteria: Question posed to a client for a product or service provided with the ability to decline; Use language and be presented in a way that the offer is clear to the client(s), with; An affirmative response received from the client(s).	<i>strategies are tailored to the product, consider the interests of the targeted Consumer groups and result in consistent Consumer protections independently of the distribution model chosen."</i>	
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Action Item	Wording Excerpt Reference From 3 October, 2019 Thought Starter	Number Reference, 3 October Thought Starter
Action Item for #18 applies to this item as well. <u>CROSS REFERENCE TO #18</u>	<i>Distribution Strategies, from CCIR / CISRO FTC Guidance, p. 21: "CCIR and CISRO expect that a Customer is given appropriate information to make an informed decision before entering into a contract."</i>	15
Industry agrees fully with these principles and will adhere to them. <u>CROSS REFERENCE TO #15</u> <u>ITEM #18 ALSO IN WORKSTREAM #7 PRODUCT PROMOTION AND ADVERTISING</u>	<i>Product Promotion, from CCIR/CISRO FTC Guidance, p. 22: "CCIR and CISRO expect that product promotional material is accurate, clear, not misleading and consistent with the result reasonably expected to be achieved by the Customer of the product."</i> <i>Product Advertising, from AMF Sound Commercial Practices Guideline, p. 16: "The AMF expects that product advertising is accurate, clear and not misleading."</i>	18 19

Action Item	Wording Excerpt Reference From 3 October, 2019 Thought Starter	Number Reference, 3 October Thought Starter
Industry agrees fully with these principles and will adhere to them. <u>CROSS REFERENCE TO #15</u>	<i>Product Promotion, from CCIR/CISRO FTC Guidance, p. 22: "CCIR and CISRO expect that product promotional material is accurate, clear, not misleading and consistent with the result reasonably expected to be achieved by the Customer of the product."</i>	18 19

	<i>Product Advertising, from AMF Sound Commercial Practices Guideline, p. 16: “The AMF expects that product advertising is accurate, clear and not misleading.”</i>	
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Workstream F

Workstream #10 Claims; and #11 Complaints Handling

Items #25, 26; and #27, 28, 29

Workstream F Members—Karyn and Rob to Co-Chair; Rob to be Spokesperson

Name	Member Company
Rob Dobbins	Assurant
Karyn Kasperski	RBC Insurance
Keith Martin	CAFII
Jamie Paradis	BMO Insurance
Isabelle West	BMO Insurance

NEED AN SME TO JOIN GROUP

8 January 2020

Let's try to get some SLAs

Could try to get a high level principle and then get the details ... simplicity, diligence, process, accessible etc.

One component of diligence is timing

"roll the sleeves up working group session"

Two components: 100% within 5 business days

Definition of action—claim set up

This relates to diligence part

Need to look at different components

"Fairly settled"

"What is accessible?"

"How communicated"

Could move in this direction if we don't have data from members on what they are doing

Need to make sure people close to claims are in agreement with the approach we are taking, some are closer to this than we are; and that they are in agreement with the proposals

"Need an outline of what we are looking for in the principles" – can have an outline of a principle, then can get into the details later

Need to show Board some progress

Need to show at least an outline of what the principles are

FOR EXAMPLE:

Claims – principles will address immediate, fairness, claims procedure

Experience—timing for action, timing for settlement

Fairness—need to figure that out

Procedure—has to be developed by insurer, has to be made public (what does that mean?), etc.

Simplicity—language principles etc.

Rob will take a crack at doing this initial outline for this Thursday, 9 January 2020 meeting

Should probably have a meeting with SMEs on complaints and claims to review the recommendations thus far by this Workstream

First need to develop an outline

FCAC definition of complaint is too broad

Probably need to be cautious about using their definition

Want to eliminate complaints that should not be captured like branch lineup is too long

EMAIL FROM MARTIN BOYLE, 8 January 2020

This email is a follow up to our conversation this afternoon. There was consensus that this workstream has been hampered by a lack of input/information from other CAFII members as well as a lack of participation from claims and complaints SMEs. We discussed (for now) focusing on aspects of the work that weren't dependent on the information and details from other members. This would include building out an outline of principles for claims and complaints and the expectations in terms of what we would like to see addressed (rather than the specific details for the high-level principles). Based upon what we have heard from the regulators and what the workstream has put together so far, I suggested that the following outlines for the high-level principles could be used as a basis to move forward:

Claims Ps will address the following areas

- a) Expedience
 - SLA related to timing of actioning of claim
 - SLA related to timing of settlement
 - Other commitments...
- b) Fairness (content TBD)
- c) Procedure
 - Commitment re development of claims policy
 - Commitment re making public and available (methods its communicated and made available to customers/public)
 - Commitment re language and “readability”
 - Other commitments...

Complaints Ps will address the following areas

- a) Definition of complaint (or the regulatory framework that applies to group insurance complaints)
- b) Expedience
 - SLAs related to timing
 - Other commitments...
- c) Fairness (content TBD)
- d) Procedure
 - Commitment re development of complaint handling policy
 - Commitment re making public and available (methods its communicated and made available to customers/public)
 - Commitment re language and “readability”
 - Other commitments...

Hope that this helps.

Martin

7 November 2019

Asked for Claims and Complaints SME

CUMIS will try to find a claims SME

Still need a SME from complaints

Request to send information to Keith on parameters / analytics around claims handling

Floating industry SLA as an idea, need to hear from individual members on this

Martin will look at complaints SME

Jamie Paradis BMO Insurance

Isabelle West BMO Insurance

<u>Action Item</u>	<u>Wording Excerpt Reference From 3 October, 2019 Thought Starter</u>	<u>Number Reference, 3 October Thought Starter</u>
The industry commits to have a written policy around the claims process, with SLAs that will be communicated to policyholders, including that claims will typically be settled in 30 days or less.	<i>Claims Handling and Settlement, from CCIR / CISRO FTC Guidance, p. 26: "CCIR and CISRO expect claims to be examined diligently and fairly settled, using a simple and accessible procedure."</i>	25 <u>9 October 2019</u> This is tablestakes already. SLAs are already communicated to clients May not be consistent SLA of 30 days Acknowledge claims form Within 60 days identify anything missing Can firms let us know what their parameters are right now? <u>October 17</u> Need a claims SME or two to provide expert opinion. Most claims SLAs are around initiation and action so could look at something like "x % of claims will be actioned within y days"
See Item #25.	<i>Claims examination and settlement, from AMF Sound Commercial Practices Guideline, p. 17: "The AMF expects that claims are examined diligently and settled fairly, using a procedure that is simple and accessible to claimants."</i>	26

<u>Action Item</u>	<u>Wording Excerpt Reference From 3 October, 2019 Thought Starter</u>	<u>Number Reference, 3 October Thought Starter</u>
The industry commits to a simple and accessible complaints procedure that includes SLAs and escalation points, and a definition of what a complaint is. The industry commits to applying applicable complaints expectations set out in Quebec Regulation 141 nationally.	<p><i>Complaints Handling and Dispute Resolution, from CCIR / CISRO FTC Guidance, p. 27: “CCIR and CISRO expect complaints to be examined diligently and fairly, using a simple and accessible procedure.”</i></p> <p><i>Complaint Examination and Dispute Resolution, from AMF Sound Commercial Practices Guideline, p. 18: “The AMF expects that complaints are examined diligently and fairly, using a procedure that is simple and accessible to consumers.”</i></p>	#27 and #28
Industry should define specifically what is a complaint, and develop written SLAs to respond to them (see Items #27 and #28).	<p><i>Controls for sales practices; Consumer complaints. From Financial Consumer Agency of Canada (FCAC)’s Domestic Bank Retail Sales Practices Review, p. 21: “Currently, banks resolve approximately 90 to 95 percent of consumer complaints at the first point of contact as part of providing good customer service. However, complaints resolved at this level are generally not logged into a central database because of technological constraints or inadequate policies and procedures.”</i></p>	<p>#29</p> <p>What do we want to track? Want to track issues associated with consent; claim denial</p> <p>17 OCTOBER 2019</p> <p>Definition of a complaint— from RBC:</p> <p>Any dissatisfaction whether justified or not with respect to a product or service or the manner in which the product or service is offered, sold or provided.</p> <p>THIS DEFINITION ABOVE COMES FROM C-86</p> <p>NEED AN SME OR TWO ON COMPLAINTS AND SLAs TO JOIN GROUP AND PROVIDE EXPERT INPUT</p>

Workstream G

Workstream #12 Protection of Personal Information; and #13 Relationships with Regulatory Authorities

Items #30, 31, 32

Workstream G Members

Name	Member Company
Martin Boyle	BMO Insurance
Andrea Stuska	TD Insurance
Brad Kuiper	ScotiaLife Financial
Brendan Wycks	CAFII

Spokesperson: Andrea Stuska

October meeting—Spokesperson: Brendan for Andrea Stuska

7 June 2019

Have held two meetings

Good practices are already in place

Point to the things already being done / that industry adheres to (FCT, AMF Sound Commercial Practices, PIPEDA, IAIA Core Principles)

Demonstrate how report and monitor

How maintain relationship with regulators—provide those examples

<u>Action Item</u>	<u>Wording Excerpt Reference From 3 October, 2019 Thought Starter</u>	<u>Number Reference, 3 October Thought Starter</u>
Indicate that the industry will adhere to all legislation and regulation around privacy. Speak to internal members' privacy experts to see what are the international best practices, and what the future of privacy expectations are likely to be, and explore committing to requirements that go beyond existing legislative and regulatory requirements.	<p><i>Protection of Personal Information, from CCIR/CISRO FTC Guidance, p. 28: "CCIR and CISRO expect protection of confidentiality of personal information policies and procedures adopted by Insurers or intermediaries to ensure compliance with legislation relating to privacy protection and to reflect best practices in this area."</i></p> <p><i>Protection of Personal Information, from AMF Sound Commercial Practices Guideline, p. 19: "The AMF expects that the protection of confidentiality of personal information policy adopted by a financial institution ensures compliance with the provisions of An Act respecting the protection of personal information in the private sector and reflects best practices in this area."</i></p>	#30 and #31

Industry can commit to “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’s or the intermediary’s reputation.” Will review OSFI’s cyber-security breaches reporting expectations and see if some of those expectations can be applied here.	<i>Relationships with Regulatory Authorities, from CCIR/CISRO FTC Guidance, p. 12: “With regard to regulatory authorities, insurers and intermediaries are expected to -make available their strategies, policies, and procedures dealing with the fair treatment of customers; -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’s or the intermediary’s reputation.”</i>	#32
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Members of the Working Group on Credit Protection Insurance Industry Best Practices

BMO Insurance

Martin Boyle, EOC Chair, BMO Insurance, Co-Chair of the Working Group

Greg Caers

Rebecca Saburi

RBC Insurance

Karyn Kasperski, Co-Chair of the Working Group

Assurant

Rob Dobbins

Canada Life Assurance

Sharon Apt

Canadian Premier Life/Valeyo

Dana Easthope

Asma Desai, Canadian Premier Life

CUMIS/The Co-operators

Michelle Costello

CIBC Insurance

Joanna Onia

Parminder Rai

Desjardins Financial Security

Isabelle Choquette

Nathalie Baron

Manulife Financial

Monika Spudas

National Bank Insurance

Michele Jeanneau

Luce Doyon

Marie Nadeau

Caroline Cardinal

Audrey Delage

ScotiaLife Financial

Brad Kuiper

Denzyl Monteiro

TD Insurance

Jeremy Flanagan

Andrea Stuska

Scott Kirby

Kathy Hawkins

Hassan Khawaja

Staff

Brendan Wycks, CAFII Co-Executive Director

Keith Martin, CAFII Co-Executive Director

MEETINGS OF THE WORKING GROUP

Participants 17 October, 2019 1-2pm

Greg Caers BMO
Marie Nadeau National Bank
Rebecca Saburi BMO
Karyn Kasperski RBC and Chair
Monica Spudas Manulife
Brad Kuiper Scotiabank
Scott Kirby TD
Sharon Apt Canada Life
Jeremy Flanagan TD Insurance
Rob Dobbins Assurant
Joanna Onia CIBC
Parm Rai CIBC

Participants 7 November 2019

Martin Boyle, Co-Chair
Karyn Kasperski, Co-Chair
Greg Caers, BMO Insurance
Monika Spudas, Manulife Financial
Michelle Costello, CUMIS Services Inc.
Marie Nadeau, National Bank Insurance
Andrea Stuska, TD Insurance
Rob Dobbins, Assurant
Kathy Hawkins, TD Insurance
Rebecca Sapuri, BMO Insurance
Brendan Wycks, CAFII
Keith Martin, CAFII

NEXT STEPS ACTIONS GENERAL 7 NOVEMBER 2019

1. Workstream B to meet to divide up this Workstream
2. Workstream B to look at where sales incentives would fit in Workstream B
3. Workstream C Outsourcing section to meet to develop Workplan
4. Call a meeting on Workstream D
5. Workstream E another meeting needed
6. Workstream F need claims and complaints SME

***Agenda Item 5(j)
February 25/20 EOC Teleconference Meeting***

From: Brendan Wycks

Sent: February-14-20 3:58 PM

To: Pamela Wygodansky (FCAC/ACFC) <Pamela.Wygodansky@fcac-acfc.gc.ca>

Cc: Felicia Tavares <Felicia@cafii.com>; Keith Martin <Keith.Martin@cafii.com>; Natalie Hill <Natalie.Hill@cafii.com>

Subject: Directories of CAFII Volunteer and Staff Leaders (Board of Directors; and Executive Operations Committee) Who Will Be In Attendance At March 26/20 CAFII Annual Members' Luncheon

Pam:

It was a pleasure to make your acquaintance in our teleconference meeting this morning, and we look forward to working with you as we move forward to ensure that FCAC Commissioner Judith Robertson's speaking opportunity at our 2020 CAFII Annual Members' Luncheon will be a great success.

As promised, attached are up-to-date CAFII Board of Directors and Executive Operations Committee Directories, which provide a clear indication of who are our Association's leaders who will be in attendance at the Thursday, March 26/20 Annual Members' Luncheon.

The other documents which I promised to send to you will follow shortly.

We look forward to receiving the following asap from you, for purposes of the event marketing/promotion eblasts which we need to start sending out to our Member and Associate representatives:

- the title of Commissioner Robertson's speech/presentation;
- two or three concise paragraphs of content about the focus of the Commissioner's presentation, and her capsule biography; and
- a high resolution, head-and-shoulders photo of the Commissioner.

Brendan Wycks, BA, MBA, CAE

Co-Executive Director

Canadian Association of Financial Institutions in Insurance

Brendan.wycks@cafii.com

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Appendix A

Excerpt From CAFII 2020 Membership Renewal Transmittal Letter

I encourage you to review our *CAFII 2019 Accomplishments Summary* in Appendix A, and to attend our upcoming *CAFII 2020 Members' Luncheon* on Thursday, March 26 from 11:45 a.m. to 2:15 p.m., where Judith Robertson, the new Commissioner of the Financial Consumer Agency of Canada (FCAC), will be our guest speaker. A formal Invitation Announcement about the Commissioner's presentation topic and other details about the Luncheon event – which will be held this year in Snell Hall at St. James Cathedral Centre Event Venue, 65 Church St., Toronto which can accommodate up to 200 guests -- will be issued shortly.

In addition to their CAFII Board and Executive Operations Committee members, CAFII Member companies may have up to seven (7) other representatives attend the Annual Members' Luncheon at no charge. For Member Companies that wish to have additional representatives attend this year's Luncheon, additional tables of 8 (or individual seats) will be available for purchase at CAFII's marginal cost of approximately \$65 per person.

Agenda Item 5(k)
February 25/20 EOC Teleconference Meeting

CAFII 2020 Research Budget Proposal

Background

In its February 10, 2020 Special Purpose Teleconference Meeting, the CAFII Board of Directors approved the Association's 2020 Operating Budget, which includes a provision of \$60,000 for research.

The Research expense line item of \$60,000 is separate and distinct from a similar \$60,000 provision for expenses associated with CAFII's new Quarterly Credit Protection Insurance Benchmarking Study.

Explanation for Budgeted Amount

The \$60K research spend proposal for the 2020 budget is the same that was originally proposed (but not spent) for the 2019 budget, and both those amounts were based on the spend that was incurred in 2018 for the Pollara consumer research on Credit Protection Insurance (although the actual research was only released in June, 2019).

The cost of consumer survey research is dependent on sample size, where the larger the size the larger the required budget, and on the number of questions asked. In 2017 CAFII sponsored a Pollara Travel Medical Insurance consumer research project at a cost of just under \$40K, based on the number of questions asked being smaller and the survey being less complex than the more recent CPI study. The larger, more comprehensive Pollara Credit Protection Insurance in 2018 required a higher, \$60K budget, and so on that basis we proposed that budget level for the 2020 budget.

For detailed information on research options, please consult Appendix A and Appendix B.

Appendix A--Possible CAFII Research Topics--December 2017

A comparison of CGI and other competitive products along a series of dimensions:

- ease of signing up (medical tests required, questions, time to be signed up)
- cost
- Claims ratios

A summary of CAFII member's presence in each province, in the aggregate:

- Number of employees
 - Total premium written
 - Total claims payout
 - Taxes paid to the province
-

A comparison of the regulatory structure of the Canadian insurance industry for the products offered by CAFII members, compared to other jurisdictions such as the United States, Great Britain, Australia, and Singapore

A comparison of the “regulatory sandbox” approach in Canadian provinces as compared to other jurisdictions such as the United States, Great Britain, Australia, and Singapore

A review of the economic costs to the Canadian economy from a lack of harmonized regulations and licensing regimes (for example, the need for a call centre to get multiple licenses and send calls only to the agents with a license from the province that the caller is from)

Comparison of the levels of life and other insurance coverages for Canadians in different wage brackets, broken out by term versus CGI, to show that lower and middle income Canadians are vastly underinsured and CGI addresses that gap. This same study could also look at this from an age perspective, to show the same issue for younger Canadians

Research on the potential impact of digitization, innovation, and technology change on insurance and the regulatory regime (this broad topic could be a series of more specific topics)

Review of some of the most innovative technology developments and how they could impact on the insurance industry

Pollara type survey but not on travel medical insurance, but on CGI products offered by CAFII members – level of satisfaction with sign up process, servicing, claims

Appendix B –CAFII Research Options 2018

Background

CAFII’s 3-5 year strategic plan has identified research as a key component of the Association’s effort to build on its successes and increase its profile. Viable research can increase the organization’s credibility, allow it to provide evidence-based support for its key messages, and strengthen its case with regulators, policy-makers, influencers, and the media.

In the past, CAFII has invested in two major research efforts—a Pollara consumer satisfaction survey entitled the “Travel Medical Insurance Study,” which has been conducted once thus far, with results released in September 2015; and a Towers Watson (previously Avalon Actuarial) study to compare the customer value proposition of Creditor’s group insurance on mortgages with individual insurance products, including critical illness and disability insurance products, conducted several times over the years as a tracking study with the most recent results released in September 2015, entitled “Comparison of the Customer Value Proposition of Creditor’s Group Insurance on Mortgages with Individual Insurance Products.”

Going back a bit further, CAFII also commissioned Pollara Strategic Insights in 2010 to examine customer experience and satisfaction with creditor insurance. The study involved over 1,300 Canadians who had mortgage Creditor Insurance or a secured home equity line of credit insurance with a major bank, credit union or caisse populaire. This research helped CAFII better understand the satisfaction and purchase experience of Canadians. Highlights of the results were that creditor insurance delivered “peace of mind,” there was confidence in the product, and clients reported a positive purchase experience. The results of this research were often quoted by CAFII in regulatory consultations and presentations to regulators, until the research was stale dated.

Analysis of Previous Research

The Pollara consumer satisfaction survey was well-received and demonstrated the high level of service, support, and claims payout of providers offering travel medical insurance products across Canada. As a result, in 2017 CAFII decided to update this research in 2018, at a cost of \$35,000 which was part of the 2017 budget. The research will be released in the Spring of 2018. If the research results warrant publicizing them, a key difference with this version is that the results will include collateral that summarizes the key findings, to be shared on our website, and electronically and in hard copy form with regulators and policy-makers and other influencers; and will include a press release with the opportunity to share the key results with media, accompanied by a media strategy.

CAFII positioning of Creditor Insurance has always been as complementary to individual insurance and that we believe there is room in a customer’s protection and risk concerns share of wallet for both.

While the Towers Watson study was an actuarial study, CAFII has been able to rely on it extensively to make the claim that creditor insurance is “convenience, accessible and affordable” for Canadians. It is this independent actuarial study that enables us to make this claim with quantitative statistics to back it up on all three aspects of the claim. The claim is made in reference to comparison between creditor insurance on mortgages (life, disability and critical illness) and individual life insurance (life, disability and critical illness) that was a key aspect of the study. The claim that creditor insurance (on mortgages) is convenient, accessible and affordable is quoted in varying amounts of detail in several presentations to regulators, in regulatory consultations and in multiple product documents launched on the CAFII website as part of the website re-launch to the public, with approval from Towers Watson.

While having to obtain approval from Towers Watson to use the data externally is an extra step that feels time consuming and cumbersome, it does provide a valuable check that the data is being quoted correctly. These were all benefits derived from this study and the approach taken to it.

However, because the Towers Watson study was an actuarial study and it was geared for internal use and benchmarking, it is less well suited for a public dissemination consistent with CAFII's new strategy to be more public-facing where appropriate. It is a dense and difficult-to-navigate study, and there was no intent in the 2015 version to try to render some of its findings in a publicly digestible form (other than sharing limited highlights of the findings with insurance regulators and policy-makers).

Furthermore, it was subject to an agreement that it could not be used publicly without explicit permission from Towers Watson. As a result, there is very limited ability to use the findings in the study publicly, both because they have not been turned into useable stories, and because of the public restriction on the use of the data and analysis.

Key Finding #1: *The Towers Watson study should not be repeated in its current form—it must include a strategy to summarize the data in publicly useable fashion, and there should be no restriction on its use publicly.*

Options for Future Research

While CAFII is committed to an ongoing research program, financial challenges resulted in the 2018 research budget not being increased over 2017. This, however, has the benefit of allowing CAFII to demonstrate the value of research and its impact, prior to increasing the budget allocated to it.

In reviewing the options for research, the Research & Education Committee brainstormed in January 2018 on possible projects, and the topics considered were then analyzed by CAFII's Co-Executive Directors, and by Media Consultant David Moorcroft, for their media/influencer, and regulatory, interest. That analysis is summarized in Table 1.

Some additional context is worthwhile here. During CAFII's visits tour to Western Canada insurance regulators and policy-makers in October, 2017, and during a CAFII visit to the Minister of Finance of Saskatchewan in June 2017, we noted that CAFII has no collateral on key elements of its members' businesses—for example, in a province we were visiting, we had no information on total premiums collected; aggregate claims paid out; total number of employees, etc. These statistics can be valuable as part of information-sharing with regulators and policy-makers, and for example are collected and shared by the Canadian Life and Health Insurance Association (CLHIA). (This type of research information is identified in Research #3.) It is also worth noting that until CAFII has developed research on its benefits and which support its key messages, there may be risk to drawing attention to our size, and so there may be a benefit to delaying such research until we have produced research-based evidence to back up our key messages.

The Towers Watson study, as per Recommendation #1, should not be repeated in its current form. There is a requirement for either an analyst or researcher to be hired to analyze the data and turn it into a series of stories that are fact-based, evidence-driven, and highly understandable and readable; or to have such an output of the research included in the research contract.

In the past, the Research Committee typically had 3 or 4 industry volunteers for each major research initiative, with one of the volunteers being the lead for the initiative. These volunteers would work with the research firm to drive the study design, the survey questions and target audience and to dig into the research results to synthesize the major learnings and convert it into slides, sound bites or other outputs for us in a variety of communications with various target audiences. It was essential to have working groups comprised of CAFII members from industry who understood the product, pricing, underwriting, industry and target audiences. This approach will continue to be the foundation of CAFII's research efforts going forward. In addition, there will be closer collaboration going forward between the Research & Education Committee, and the Media Advocacy Committee, to ensure that from the beginning of a research effort we incorporate the media and public-facing elements that we will want to make part of the outputs from the research.

In discussion with various individuals involved in offering advice on CAFII's strategy, one suggestion was that an alternative to engaging Towers Watson, or another actuarial firm, as the organization producing the research to update the Towers Watson analysis, would be to hire a research firm that could do the analysis, but which would have the internal resources and expertise to also be able to provide excellent written summaries of the research as part of their effort. It is important to note, however, that a key requirement for the Towers Watson study was that it be a comparison of the value proposition of Creditor Insurance vs. individual insurance. It was this comparison that enabled CAFII to make the claims about creditor insurance convenience, accessibility and affordability. The participation of 13 individual insurers in this study was achievable because of the relationships Towers Watson had with the individual insurers that participated. Regardless of which approach is taken, it is recommended that the Towers Watson type research not be updated without this additional component incorporated into the research contract.

Recommendation #1: *A future Towers Watson type research effort (Research #1) needs to include turning the data results into readable, highly digestible storylines that could be shared with media/influencers and regulators/policy-makers.*

The Tower-Watson CGI information was identified by confidentially collecting information from members of CAFII (as well as from outside insurance firms offering term insurance). This internal collection of information would involve approvals from CAFII members, and would involve working with internal departments of CAFII members that would provide the required information. CAFII EOC members were accountable for delivery of the data such they worked with their internal departments to obtain the data. There may be minimal overlap in data collected for the two studies. It would be essential to keep the data separate to avoid confusion in what was being collected. However, the effort to gather statistical information (Research #3) might be more efficient, and less of a distraction for our members, if it was combined with the effort to update the Towers Watson research itself.

Recommendation #2: *We should explore whether an update to the Towers Watson type research (Research #1) should be combined with a statistical analysis of CAFII members (Research #3) for efficiency and cost-effectiveness reasons.*

Table 1

Possible Research Topics and their Interest to Media/Influencers; and Regulators/Policy Markers

<u>Research #</u>	<u>Topic</u>	<u>Media / Influencer Interest</u>	<u>Regulatory / Policy Maker Interest</u>
1	Repeat of the Towers Watson Study (Update) (but with some adjustments to how the content is displayed, and with no restrictions on its public use)	High	High
2	A comparison of CGI and other competitive products along a series of dimensions: ease of signing up (medical tests required, questions, time to be signed up); cost; claims ratios. This is analysis by a specialist—the output would be a “white paper” type of research on the industry	High	High
3	A summary of CAFII member’s presence in each province, in the aggregate: Number of employees; Total premium written; Total claims payout; Taxes paid to the province	Low	High
4	A comparison of the regulatory structure of the Canadian insurance industry for the products offered by CAFII members, compared to other jurisdictions such as the United States, Great Britain, Australia, and Singapore	Low	High
5	A comparison of the “regulatory sandbox” approach in Canadian provinces as compared to other jurisdictions such as the United States, Great Britain, Australia, and Singapore	Low	High
6	A review of the economic costs to the Canadian economy from a lack of harmonized regulations and licensing regimes (for example, the need for a call centre to get multiple licenses and send calls only to the agents with a license from the province the caller is from)	Low	High
7	Comparison of the levels of life and other insurance coverages for Canadians in different wage brackets, broken out by term versus CGI, to show that lower and middle income Canadians are vastly underinsured and CGI addresses that gap. This same study could also look at this from an age perspective, to show the same issue for younger Canadians	High	High
8	Research on the potential impact of digitization, innovation, and technology change on insurance and the regulatory regime (this broad topic could be a series of more specific topics, and this could be a series of research items over time)	Medium	High
9	Review of some of the most innovative technology developments and how they could impact on the insurance industry	Low	High
10	Pollara-type consumer survey but not on travel medical insurance, rather on CGI products offered by CAFII members – level of satisfaction with sign up process, servicing, claims etc.	High	High
11	With the importance being placed on Treating Customers Fairly and enabling/empowering Canadians to make well informed decisions, we might consider research in the area of Financial Literacy. For example, what have other countries done to increase the financial literacy of their citizens and how could those learnings be applied in Canada to provide regulators with recommendations on how they could assist citizens to become better informed. FSCO talks about their efforts in the area of Fraud Prevention as being one of		

their past Financial Literacy achievements. What other types of initiatives could CAFII recommend based on primary (or even secondary) research?		
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At this stage, it is worth noting that while these efforts could prove extremely valuable for CAFII, and could produce a rich stream of outputs that would be useable with media, influencers, regulators, and policy-makers, the Towers Watson research in its current limited form cost \$45,000 in 2014. In an August 9th 2017 email from Helene Pouliou, Director, Canadian Leader, Risk Consulting and Software, Towers Watson, she said “an update [of the study] would not be as costly or time consuming as the methodology has been established for the first survey.” To be conservative, we can estimate the cost of a renewed study, with the passage of time, to still cost \$45,000. If the recommendation to include a written output is supported, that would add at least \$10,000 to the effort. If the recommendation to incorporate a statistical analysis at the same time is supported, that would add up to \$25,000 to the effort. Therefore, this total effort would cost up to \$80,000—and possibly more—and therefore is not in consideration in 2018 for budgetary reasons.

Recommendation #3: *A combined research effort that includes a Towers Watson type analysis updated to be current; and which also includes a written component; and which combines these efforts with a statistical analysis of CAFII members (the “combined research effort”), should not be considered for the 2018 budget as it far surpasses the available 2018 budget.*

However, this would be a viable and worthwhile initiative to explore going forward. Therefore, CAFII should begin to consider this as a potential investment for 2019.

Recommendation #4: *A combined research effort should be explored as a candidate for investment, at a cost of approximately \$85,000, for the 2019 CAFII budget.*

If a combined research effort is considered, an RFP should be solicited given the size of the investment in question.

Recommendation #5: *A combined research effort, given the expense it would incur, should be put to an RFP with a variety of vendors.*

If we move forward with Recommendation #4, considerable preparatory work can be done in 2018. There needs to be discussion about how data is gathered—for example, statistical analysis can be provided for the distribution side, the manufacturing side, or a combined view, and gathering this information may also require the involvement of CAFII members’ partners, who would need to be engaged in parts of this effort. CAFII EOC members or Research and Education Committee members would be accountable for coordinating with internal members or partners. An RFP could be developed and issued in 2018, so that the research firm could begin its efforts immediately in 2019 if the budget for this effort was approved. This however would result in 2017 data being collected such that the results are already 2 years old once the study is published. It would be best to plan to obtain 2018 data in early 2019.

Recommendation #6: *If Recommendation #4 is supported, staff and volunteer work on this initiative can begin in 2018.*

Reviewing the remaining options for research, if the recommendations above are accepted and this combined research effort – an update to the Towers Watson research (Research #1) with a publicly useable written component, and a CAFII members’ statistical analysis (Research #3)—are not viewed to be candidates for investment in 2018, the one that stands out as both within budget, and most impactful with media/influencers and regulators/policy makers, is Research #10—conducting a consumer satisfaction survey for creditor’s group insurance products. This would involve questions on satisfaction with enrollment, service, cancellation, complaints, and claims, and could include additional questions like “Do you feel you paid the right amount for this insurance?”; “Do you feel like you are getting good value for your money with this insurance” etc., which media consultant David Moorcroft feels would generate powerful results to share with media and influencers. The previously CAFII-Pollara study that examined customer experience and satisfaction with creditor insurance would be an excellent place to start in terms of the survey questions, the audience, the products examined, etc.

Additional benefits to this approach are that we could re-use many of the questions and effort from the Travel Medical survey; we could consider using the same firm (Pollara) and leverage our partnership and knowledge of them, but we would definitely still issue an RFP for this project, which would allow us to validate the cost, and potentially seek out a firm that could be who we use for the 2019 research efforts as well. The timelines for this effort would work well in the early Fall of 2018; and we would be able to have a substantial 2018 research output within our \$35,000 budget.

Recommendation #7: *CAFII’s 2018 research investment should be a consumer survey of the satisfaction of consumers with CAFII members’ CGI products (mortgage and loan life, disability, critical illness, and job loss insurance). We would issue an RFP for this research effort, with Pollara one of the firms we would ask to bid on the project. While it would be beneficial to be able to conduct research on a wide variety of coverages and credit products for which creditor insurance is offered, the budget may require that we focus our efforts on creditor insurance and credit products where aspects of purchase experience and consumer confidence issues are most fully played out, i.e. in products that are underwritten and are a more important risk concern for Canadians, such as products that offer protection for their home.*

Appendix C

Individuals and Committees Consulted in the Development of this Report, or Involved in the Approval of this Report

Individuals / Committees Consulted	Comment
Diane Quigley	Chair of the Research and Education Committee—has approved this report
Research and Education Committee (see Appendix B)	All members have inputted into this report; responsible for expert advice and for forwarding the report to the Executive Operations Committee (EOC) for formal approval

Executive Operations Committee (EOC)	Will be responsible for formal approval of the report and for recommending it be forwarded to the Board of Directors
Craig McKendrick	Has advised on different research firms that CAFII could solicit
Charles Blaquiere	Chair of the Media Advocacy Committee—has reviewed report from perspective of supporting the media / influencer strategy
Media Advocacy Committee (Charles Blaquiere, Chair)	Have inputted into the media/influencer components of the report and will be asked to review the report, and engage in its implementation (if approved) to ensure media/influencer aspect is fully incorporated into our research outputs
Peter Thorn	Chair of the EOC; has reviewed the report prior to its being forwarded to the EOC
David Moorcroft	Media Consultant; has provided expert advice and input into the media elements of the research strategy
Keith Martin, Brendan Wycks	Co-Executive Directors of CAFII; provided staff support for the development of the report and the process for its approval and implementation
Board of Directors	Will modify the report as required; and will be responsible for determining whether to approve the report and its recommendations

Appendix D

Membership of the CAFII Research & Education Committee

<u>Committee Members</u>	<u>Title</u>	<u>Institution</u>
Andrea Stuska (Chair)	Specialist, Life, Creditor and Travel Government and Industry Relations	TD Insurance
Diane Quigley	Director, Creditor Insurance Product & Pricing	CUMIS
Craig McKendrick	Senior Consultant, Consumer & Market Research	CIBC Insurance
Rob Dobbins	Senior Director Compliance, Canada	Assurant
Aneta Murphy	Senior Manager, Policy and Training, Creditor Products and Operations	ScotiaLife Financial
Scott Kirby	Manager – Life, Creditor and Travel, Government and Industry Relations	TD Insurance

Appendix E

Media Consultant David Moorcroft's List of Issues and Topics that Media/Influencers Could be Interested In

- What percentage of Canadian households have a strategy for dealing with a sudden loss or drop in income?
- What percentage of Canadians are concerned they could not maintain their current standard of living if they lost their job or became too ill to work?
- What percentage of Canadians feel their heirs could pay off their mortgage and remain in their home if they unexpectedly passed away?
- What is the total mortgage indebtedness in Canada and what percentage of Canadians have insured their mortgage debt for life, disability and job loss?
- What percentage of Canadians believe that having greater choice in where they can obtain insurance is a good thing?
- What percentage of Canadians believe that having the option to buy creditor insurance at the time and place they purchase their mortgage or loan is a positive thing?
- What percentage of Canadians believe that being able to purchase creditor insurance at standard economical group rates is a good thing?
- Does mortgage life insurance help provide a valuable safety net for borrowers?
- What is the average monthly premium for a mortgage life insurance policy in Canada for people aged 18 to XX? How does that compare to term life insurance?
- What percentage of creditor insurance clients make claims and what percentage of them are approved? What percent was denied?
- What is the most common reason to deny a claim?
- What was the total amount of money paid out for all creditor insurance claims in the most recent year where the data is available?



**The Canadian Association of
Financial Institutions in Insurance**

In 2019 We...

Produced 3 Videos To Enhance Products on Website
Appeared In 2 Google Featured Snippets
Optimized Products to Increase Consumer Engagement
Expanded Consumer Examples for Search Visibility

In 2020, We Will...

Develop New Video Content

Continue Answering Top Consumer FAQs

Continue To Improve Your Website Engagement

Continue To Maintain And Enhance Your Website

Provide Clear & Insightful Reports On Wins and Growth Opportunities

New Video Content

Building On Last Year's Success

This year, we will be producing additional (EN,FR) videos for CAFII. Topics have been selected based on the impact creating a video will have on your rankings and engagement. Our recommendations are the following:

- Credit Card Protection Insurance
- Payment Protection Insurance & Loans
- Trip Cancellation & Interruption Insurance

We can produce all three of these videos in a whiteboard format (as per your other videos), or can produce two of the three in motion graphic format.

An example, as well as Pros and Cons of each can be found on the following slide.

Video Process

Script:

1. Outline of Key Messages (CAFII)
2. Draft
3. Revision
4. Final Approval
5. French Script

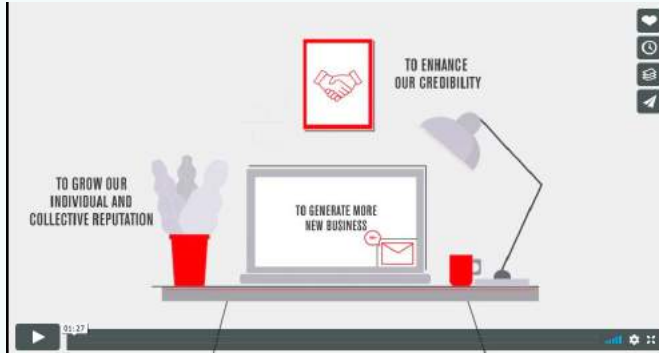
Video Creation:

1. English Storyboard
2. Draft 1
3. Revision 1
4. Draft 2
5. Revision 2
6. English Final Approval
7. French Creation
8. Revision 3
9. French Final Approval

Video Examples

Motion Graphic vs. Whiteboard

Motion Graphic



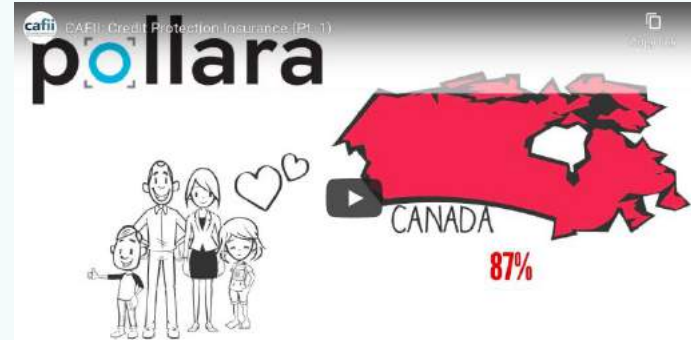
Pros

- More customized
- Branded
- Higher production value

Cons

- Higher Investment
- Inconsistent with previous videos delivered

Whiteboard



Pros

- Cost effective
- Consistent with previous videos delivered

Cons

- Less ability to customize video elements
- Style of video is becoming out-of-date

Providing More Answers

New FAQ Content

Last year, Google began to recognize CAFII as the MOST AUTHORITATIVE resource for some of your consumers most frequently asked questions. As a result, answers from our website were pulled into the knowledge panel as featured snippets, as shown below.



This year, we're going to continue forward with the strategy that produced such fantastic results in 2018 and 2019. We'll be focusing on two topics which we believe you have an opportunity to become the online authority on and will be developing 3 new FAQs in total.

Mortgage Life Insurance:

Q: Who can apply for mortgage life insurance?

Q: I have other life insurance, why do I need this protection for my mortgage?

Travel Insurance:

Q: What is travel insurance?

Website Engagement

Creating Additional Vignettes

Last year, as part of a website engagement program, the team went to work adding interactive vignettes to the website in an effort to help consumers better understand the information we were providing. In short, it worked. We saw record highs in the number of pages that were viewed per session as well as the amount of time consumers spent browsing the website!



Anne-Sophie and Mathieu, who have two children, have been approved for a \$250,000 mortgage to purchase a home. Anne-Sophie is the primary income earner, and the family's ability to make their mortgage payments is largely dependent on her income.

Peace of mind and predictability of expenses are important for Anne-Sophie and Mathieu, so they purchase Mortgage Life Insurance for Anne-Sophie, which will pay out the balance of their mortgage (up to the maximum specified in the certificate of insurance) in the event of her death. They like the fact that their premiums will not change over the life of their mortgage, which means that they are not exposed to higher costs for this coverage as Anne-Sophie ages or possibly develops health issues.

They also like the fact that the proceeds of her mortgage life insurance will go directly to pay out the mortgage balance rather than possibly being used to pay other debts. It's important to Anne-Sophie that her family will be able to continue living in their family home, without financial duress.

[See FAQ section for more information](#)

This year, in addition to creating vignettes for each of the new FAQs we will be developing, we will also be creating an additional 3 for pre-existing pages.

New FAQ Vignettes (3):

Q: Who can apply for mortgage life insurance?

Q: I have other life insurance, why do I need this protection for my mortgage?

Q: What is travel insurance?

Vignettes for 3 existing FAQs:

Q: Is there a maximum amount of mortgage balance I can insure?

Q: If I purchase Mortgage Life Insurance, why doesn't my premium decrease as my mortgage balance decreases?

Q: Does Credit Protection Insurance provide good value?

Website Development Retainer

Why It's Important & What to Expect

Support your program needs.

You require a small retainer to support the initiatives proposed in your 2020 program.

Suggested Retainer	Monthly Investment
2 hours per month	\$300



Benefits:

- Team consistency and efficiency
- Discounted rate

Details:

- 2 website development hours per month
- Web projects falling outside retainer to be quoted at hourly rate of \$150/hour

This retainer will cover:

- FAQ Page Development
- Embedding Videos
- Vignette Deployment on Website
- Maintenance & Updates
- Website hosting for 2020

2020 Program Summary

What's In-scope?

Program Inclusion	Details
Video Production	6 Whiteboard (3 Eng. + 3 French) OR 4 Motion Graphic (2 Eng. + 2 French) Videos
FAQs & Vignettes	Development of 3 New FAQ Pages Development of 6 Vignettes (3 for Existing Pages, 3 To Go Along With New Pages)
Website Retainer & Hosting	12 Months of Hosting Up to 2 Hours/Month of Web Support (Includes the Development of New FAQ Pages, Embedding Videos, And Adding Vignettes)
Reporting & Communication	2 Performance Reports (June, December) 2 Executive Presentations For BoD 2021 Strategy
\$32,000 + HST	

cafii acifa

The Canadian Association of
Financial Institutions in Insurance

L'association canadienne des
institutions financières en assurance

AGENDA

- 01 2019 Program Summary
- 02 2019 Website Performance
- 03 2019 Business Listing Performance
- 04 Next Steps
- 05 Glossary of Key Terms



Making Insurance Simple, Accessible,
and Affordable for Canadians



The Canadian Association of
Financial Institutions in Insurance

L'association canadienne des
institutions financières en assurance

2019 Program Summary



CAFII Releases New Pollara Travel
Medical Insurance Research

LEARN MORE 

2019 Program Summary

Project Status

Element	Item	Status
Video Production	Mortgage Life Insurance Video	Complete
	Pollara Research Video #1	Complete
	Pollara Research Video #2	Complete
Consumer Examples	11 English + 11 French Insurance Vignettes	Complete
	11 Images Sourced	Complete
Page Optimization	Travel Insurance, Job Loss Insurance, Mortgage Disability Insurance & Critical Illness Insurance, Disability Insurance for Loans, Mortgage Disability Insurance	Complete
Google / Wikipedia Entry	Google Knowledge Panel Verification	Complete

cafii acifa

The Canadian Association of
Financial Institutions in Insurance

L'association canadienne des
institutions financières en assurance

2019 Website Performance

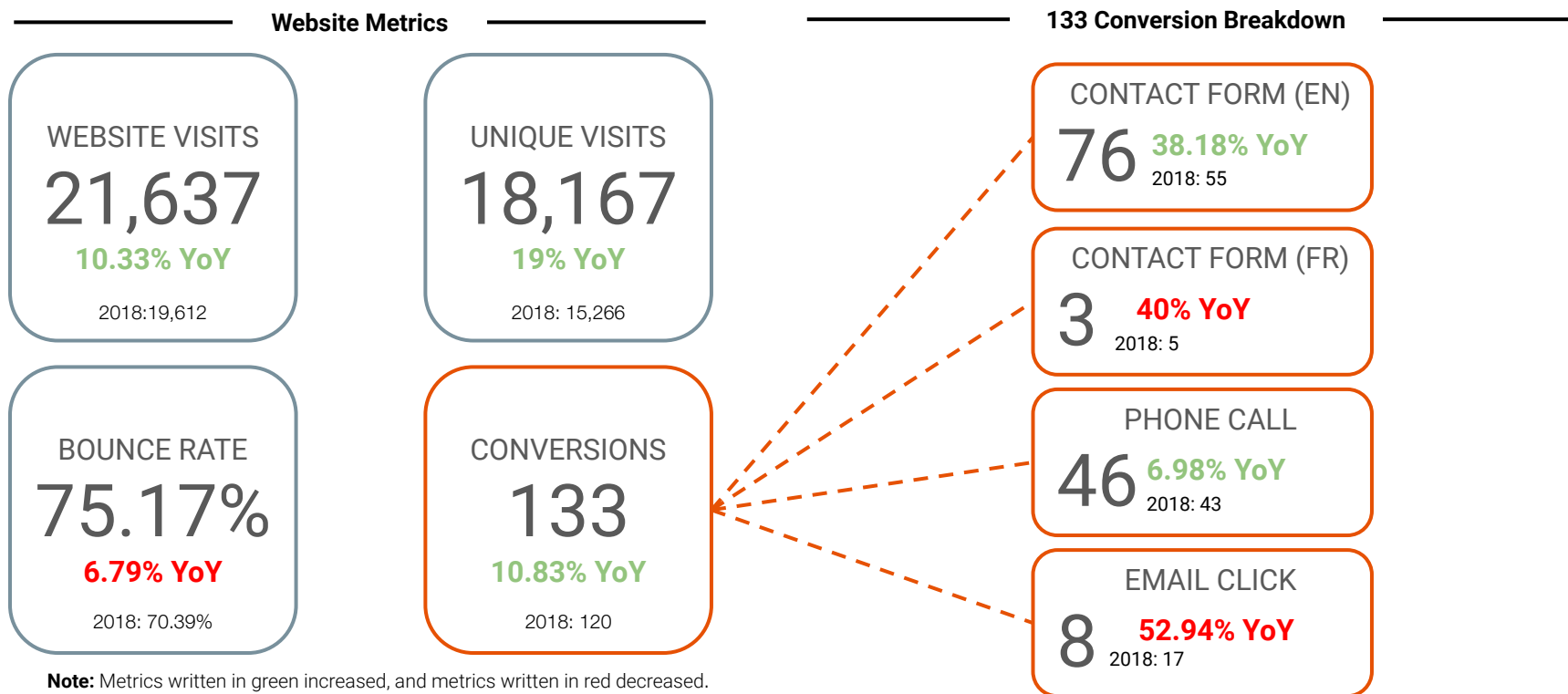


CAFII Releases New Pollara Travel
Medical Insurance Research

LEARN MORE 

2019 Website Performance

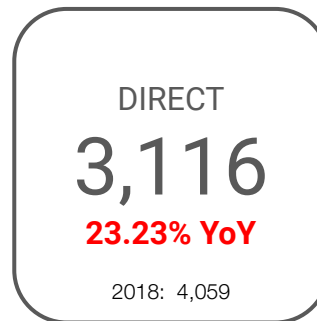
Overview



2019 Website Performance

Traffic Overview

Sources



*Not the responsibility of RankHigher

Total Traffic

21,570

Note: Metrics written in green increased, and metrics written in red decreased.

2019 Website Performance

Where Your Traffic Is Coming From By City & Device

Your Top Cities

City	Visits	Bounce Rate	Avg. Session Duration	Goals
Toronto	3,387	49.51%	4:00	17
Montreal	717	67.64%	1:17	3
Calgary	538	79.55%	1:01	9
Ashburn	340	96.47%	0:09	1
New York	307	76.22%	1:01	4
Edmonton	279	79.57%	0:51	3
Vancouver	243	76.95%	1:16	2
Baden	222	24.32%	6:10	0
Ottawa	217	71.43%	1:23	1
Chicago	205	67.80%	1:40	4

Device Usage

Device	Visits	Bounce Rate	Goals
Desktop	12,490 (58%)	69.14%	54
Mobile (Up 14% YoY)	8,313 (38%)	84.53%	78
Tablet	834 (4%)	72.06%	1



Top Mobile Device
Apple iPhone
(44% of Visitors)



Top Tablet Device
Apple iPad
(4.8% of Visitors)

2019 Website Performance

How you're ranking for the keywords/phrases people are using...

**Keywords in
1st Position**

53

430%
10 (2018)

**Keywords on
Page 1**

105

303%
(26) 2018

**Keywords with
Improved Rankings**

24

4%
(23) 2018

Includes: Google Desktop, Google Mobile, Bing Desktop, Bing Mobile

Note: Metrics written in green increased.

2019 Website Performance

Examples of how people are searching / finding your website...

Keyword Search

Credit Protection
Insurance

15

650% YoY

2018: 2

Job Loss
Insurance

14

133.33% YoY

2018: 6

Job Loss
Insurance Coverage

7

100% YoY

2018: 0

Who Sells
Job Loss Insurance

7

100% YoY

2018: 0

Job Insurance

7

16.67% YoY

2018: 6

Job Loss
Insurance Canada

7

75% YoY

2018: 4

Credit Card
Insurance

6

100% YoY

2018: 3

Insurance To Cover
Job Loss

4

100% YoY

2018: 0

Note: Metrics written in green increased.

2019 Website Performance

Keyword/Phrase Rankings - Top Increases

Keyword	Ranking Change	Current Position	Position in 2018
Mortgage loan life insurance	72	8	80
Mortgage life insurance vs. life insurance	60	23	83
Trip interruption insurance	55	5	60
Car loan life insurance	43	10	53
What is mortgage life insurance	41	3	44
Loan life insurance	36	5	41
Home loan insurance	35	49	84
What is critical illness insurance	32	60	92
How does mortgage life insurance work	31	5	36
What is trip interruption insurance	31	5	36

Includes: Google Desktop, Google Mobile, Bing Desktop, Bing Mobile

Note: Metrics written in green increased.

2019 Website Performance

The pages on your website that people find / go to the most often...

#1 Landing / Entry Page **Job Loss Insurance**

- 6,895 Page Views
- Time on page is 1:52
- 84% visitors leave after viewing this page
- 268 visitors went to "contact" page next
- 101 visitors went to "about" page next
- 87 visitors went to "insurance" page next
- 51 visitors went to "faq" page next

67 conversions

#2 Landing / Entry Page **Credit Protection Insurance**

- 3,806 Page Views
- Time on page: 2:51
- 89% visitors leave after viewing this page
- 96 visitors went to "faq" page next
- 37 visitors went to "home" page next
- 33 visitors went to "contact" page next
- 32 visitors went to "news" page next

5 conversions

2019 Website Performance

The pages on your website that are driving the most action...

Job Loss Insurance

67

Conversions

5,235

Sessions

Payment Protection Insurance for Loans

18

Conversions

685

Sessions

Life Insurance For Personal Loans

7

Conversions

1,317

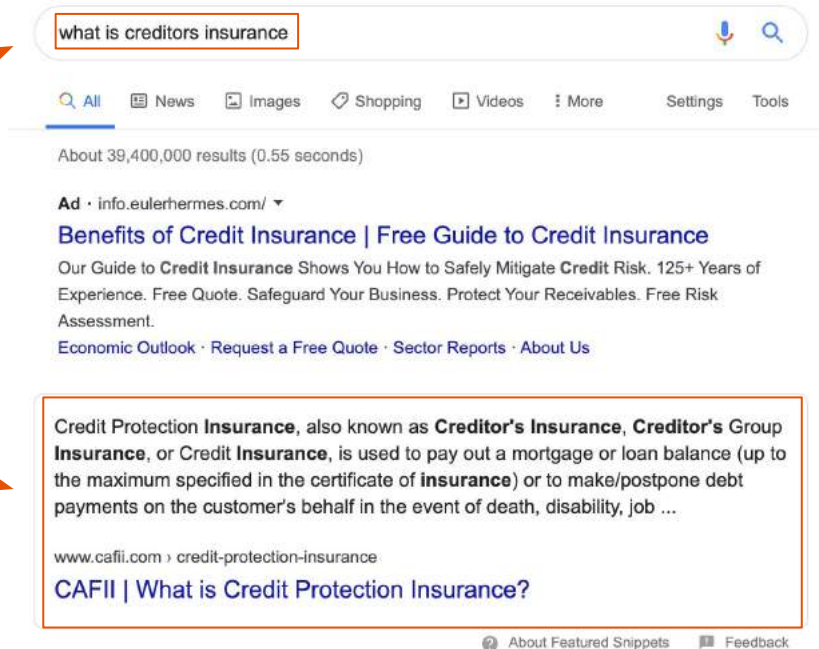
Sessions

2019 Website Performance

Featured Snippets

When someone **searches** for 'what is creditors insurance', this is the result.

This is an example of a **featured snippet**.



2019 Website Performance

Featured Snippets

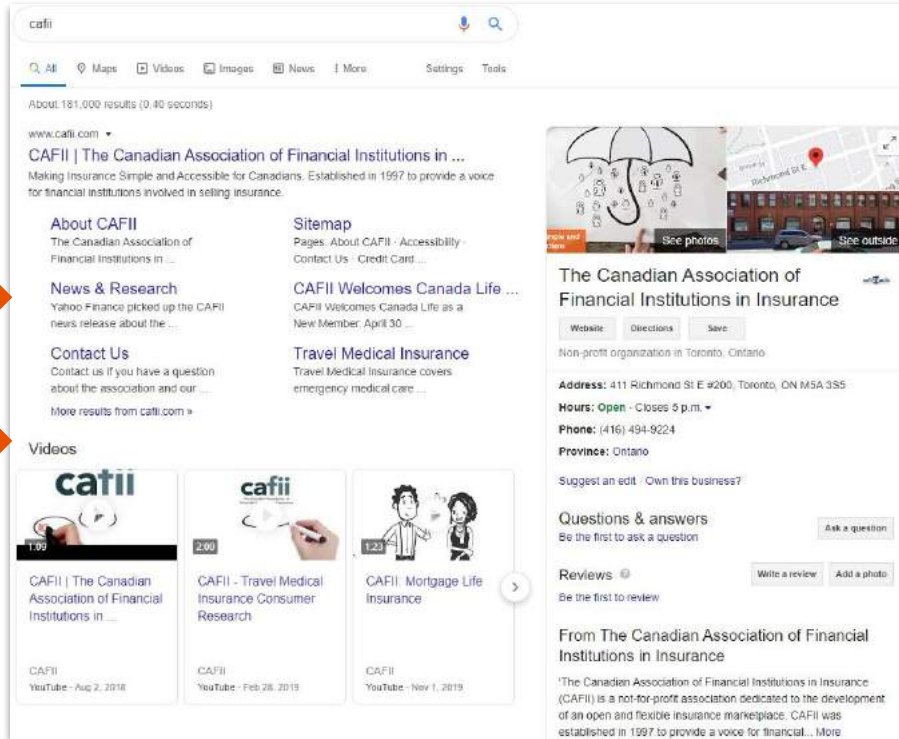
Because we've optimized your website, your website content is pulled into the featured snippet, for each of these important **15** keyword searches.

This means you are now being seen as the authority in your space by Google, and therefore by the target audience searching for this information.

Keywords In Google Featured Snippet
What is creditor's insurance
Mortgage disability insurance
Disability mortgage insurance
Job loss insurance for a mortgage
Credit card insurance benefits
How does credit card insurance work
What is credit card insurance
What is a credit insurance premium
What is creditor's insurance
Disability mortgage insurance
Mortgage job loss insurance
Credit card insurance benefits
How does credit card insurance work
What is credit card insurance
What is a credit card insurance premium

2019 Website Performance

When someone searches for your association directly they see...



Legend

1. We optimized 6 site links underneath home page.
2. We optimized 3 CAFII YouTube videos.
3. We optimized the CAFII knowledge panel.

cafii acifa

The Canadian Association of
Financial Institutions in Insurance

L'association canadienne des
institutions financières en assurance

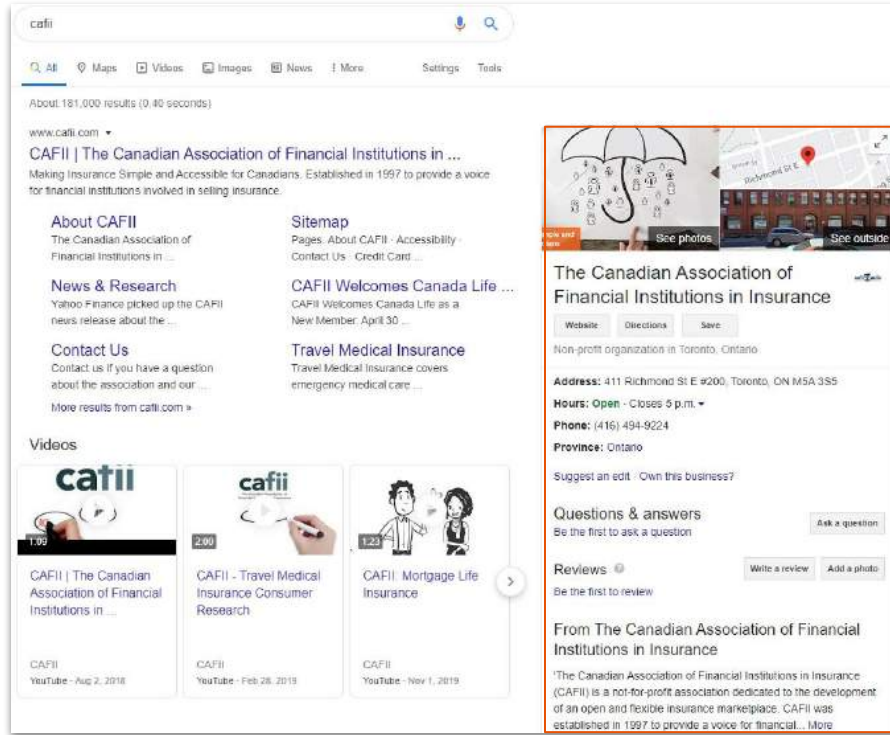
Business Listing Performance



Making Insurance Simple, Accessible,
and Affordable for Canadians

Business Listing Performance

What is Google My Business



This is an example of a **business listing**.

Business Listing Performance

2019 vs. 2018

Since 2018, your business listing has **improved** in searches, views and actions. That means more people have:

- Searched for CAFII branded terms, as well as non-branded terms.
- Searched (branded or non-branded) within 'maps' and your business listing appeared.
- Clicked on your listing to go to the website, to get driving directions, and to place a phone call.

So what?

This means more than **11,000** users have interacted with your associations business listing compared to last year!

Note: Metrics written in green increased.

Element	2019 Performance	Compared to 2018 Performance
Searches		
Branded Searches (CAFII)	1,798	1,223 YoY
Non-Branded Searches	5,125	4,139 YoY
Total	6,923	5,362 YoY
Views		
Total	1,398	1,129 YoY
Actions		
Clicks To Website	153	118 YoY
Clicks For Driving Directions	12	10 YoY
Clicks To Place Phone Call	3	2 YoY
Total	168	130 YoY

cafii acifa

The Canadian Association of
Financial Institutions in Insurance

L'association canadienne des
institutions financières en assurance

Next Steps



Making Insurance Simple, Accessible,
and Affordable for Canadians

Next Steps

Our Recommendations

Let's improve the bounce rate of your website!

We've already planned more videos for 2020 which will assist with your bounce rate.

In addition, we're working in the background to improve elements of your site affected by the most recent Google Algorithm updates (October and January).

Let's improve the experience on your business listing!

Now that many 11,000 more people are going to your Google My Business, we should be incorporating some enhanced experience elements such as:

- **Videos.** We can upload all the videos we have done (and the new ones) for \$1,000.
- **Images.** We should take professional photos at your events, edit and upload them.
 - Let us know and we will scope this out for your next event (~\$750)

cafii acifa

The Canadian Association of
Financial Institutions in Insurance

L'association canadienne des
institutions financières en assurance

Glossary of Key Terms



Making Insurance Simple, Accessible,
and Affordable for Canadians

Glossary

Website - Key Terms

Website Visits

The overall number of visits to your website within a given period.
A single person can visit a website multiple times.

Unique Visits

The number of unique people who visited your website within a given period (ie: last quarter).

Bounce Rate

The percentage of individuals that instantly leave a website without taking any action.

Conversions

The completion of a specific action on a website deemed to be important to a business' success. (ie: Visitor fills out a contact form, clicks to make a phone call or clicks to write an email).

Contact Form (submission)

A website visitor who fills out a form on your website.

Phone Call

A website visitor who places a phone call from your website.

Email Click

A website visitor who clicks to email from your website.

Direct Website Visits

The visits that came to your website from someone typing in your website URL into a browser, or through browser bookmarks.

Organic Website Visits

The number of visits that came to a website through a search engine (not including paid advertisements).

Referral Website Visits

The visits that came to a website by clicking on a link placed on a different website.

Glossary

Google My Business - Key Terms

Branded Searches

Visitors who find your listing searching for your business name or address.

Non-Branded Searches

Visitors who find your listing searching for a category, product or service without using your brand in their search query.

Map Views

Users who view your listing on Google Maps.

Search Views

Users who view your listing on a Google Search Engine Results Page.

Clicks To Website

When a visitor finds you on Google My Business and clicks through to your website.

Clicks For Driving Directions

When a visitor finds you on Google My Business and clicks to find driving directions.

Clicks To Place Phone Call

When a visitor finds you on Google My Business and clicks to place a phone call.

Agenda Item 5(n)

February 25/20 EOC Teleconference Meeting

CAFII opinion piece for the Canadian Business Quarterly

Title: Making insurance simple, accessible, and affordable for Canadians

The Canadian Association of Financial Institutions in Insurance (CAFII) is a not-for-profit industry Association dedicated to the development of an open and flexible insurance marketplace in Canada. CAFII members – which include the insurance arms of Canada's major financial institutions and the country's major life and health insurance companies -- believe that consumers are best served when they have easy access to insurance, meaningful choice in coverage options, and competitive pricing. Consumers benefit from having access to a wide array of insurance coverage options and sales channels in Canada, but many are not familiar with them or how they work. That's why CAFII conducts consumer research and has its own consumer-friendly [website](#) - so that our Association can better understand the insurance needs and preferences of Canadians, share straightforward information about the various insurance options that our members offer, and help educate consumers about the choices available to them.

We believe that better-informed consumers are more aware of the full range of insurance products and services available to them, and can better understand how to match coverage options to their personal circumstances.

CAFII members offer a variety of insurance products including travel, life, health, property and casualty, and credit protection insurance (CPI). They provide these products through client contact centres, consumer-friendly websites and apps, direct mail, agents and brokers, and travel agents.

CPI, also known as creditor's group insurance, is used to pay off a mortgage or loan balance or to make/postpone debt payments on the insured's behalf in the event of death, disability, job loss or critical illness. It can be obtained for a variety of debt obligations, including mortgages, consumer loans, lines of credit and credit cards.

This type of insurance has multiple benefits. For example:

First, if an insured person is unable to make debt repayments due to reasons such as death, disability, critical illness or job loss, CPI ensures that the debt is paid out to the maximum limit of the policy (in the case of death and critical illness) or that the loan payment is made or postponed on their behalf (in the case of disability or job loss). This will ensure the loan remains in good standing and will help protect the insured person's credit rating.

Second, the group policy structure of CPI allows more Canadians to be insured at economical standard rates, and almost all applicants are accepted.

Third, CPI is easy to obtain. With well-trained and supervised salaried staff at banks and credit unions, Canadians have coast-to-coast access to simple, optional insurance coverage on a 24/7 basis through more than 8,000 branches, telephone contact centres, and online.

Fourth, CPI is offered in exactly the amount of debt being taken on; and, as an optional benefit offered alongside a loan or mortgage product, it is inherently timely and convenient.

And fifth, CPI provides some forms of protection that are not readily available elsewhere, such as job loss insurance.

CPI coverage is typically secured through the financial institution providing the consumer's mortgage, loan or credit card.

According to independent [research](#) conducted by Pollara Strategic Insights in late 2018, the experience of Canadians with CPI on their mortgages and home equity lines of credit (HELOCs) is 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.

Furthermore, 71% said that without CPI, they do not know how they and/or their family would be able to manage 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. Canadians with CPI coverage also expressed confidence in the CPI claims process, and indicated that their expectations for claims payouts were 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.)

Travel insurance is designed to protect consumers and their families from a variety of unexpected expenses related to travel outside of their home province. It is usually available in two varieties: travel medical insurance; and trip cancellation/interruption and baggage loss insurance.

Travel medical insurance covers emergency medical care expenses should someone suddenly and unexpectedly get sick, or if they have an accident while outside of Canada. Provincial health plans cover only a fraction of any health care expenses incurred outside of Canada (Ontario now covers almost nothing), and they limit coverage when travelling to another province. Should a covered person get sick or injured during his or her trip, travel medical insurance may cover all or most of their medical expenses up to a pre-determined limit.

This coverage can help protect consumers against the high cost of health care in the event of a medical emergency when travelling internationally.

For example, medical expenses, including medical evacuation, can be much higher in other countries than they are in Canada where Canadians are likely covered by their provincial health care plan. For example, according to the U.S. Centers for Medicare & Medical Services, fixing a broken leg can cost up to \$7,500; the average cost of a three-day hospital stay is approximately \$30,000; and comprehensive cancer care can cost hundreds of thousands of dollars in the United States – much, much higher than the amount a provincial health plan covers for medical expenses incurred outside Canada. In addition, the cost of emergency medical evacuation from a foreign country can be \$25,000 or more. Most people would face financial ruin if required to pay medical bills of that magnitude.

Trip cancellation insurance will reimburse consumers for the amount of pre-paid, non-refundable travel expenses (e.g. airline, cruise, train, hotel, etc.) that they have insured, should they cancel their trip before departure for an unforeseen covered reason. These reasons include the unexpected illness or injury of the insured and/or a traveling companion that deems them unfit to travel, by order of a licensed physician; the hospitalization or death of a family member; circumstances beyond one's control that results in the cancellation of the public transportation they have paid for to get to their destination; unforeseen natural disasters at home or the destination; and/or a legal obligation, such as being called for jury duty or to appear as a witness in court.

Trip interruption insurance is similar to cancellation coverage, but covers Canadians while they are on a trip for a list of covered reasons. For example, if a covered reason requires an insured person to return home, trip interruption insurance will reimburse them for the lost portion of their trip, as well as any additional expenses for a last-minute flight home.

According to independent [research](#) by Pollara conducted in early 2018, the experience of Canadians who have purchased travel medical insurance is very positive, with more than 8 in 10 satisfied with the coverage and the value it provides. Furthermore, 98% of people who had made travel medical insurance claims within the previous year said they were fully or partially paid, with only 2% of claims being denied. In addition, 91% of claimants said they were satisfied with their claim experience from initial contact to final outcome.

The survey results also revealed that Canadians believe that they have a reasonable understanding of the terms and limitations of their travel medical insurance, their amount of coverage, and who to contact in the event of an emergency. For example, at the time of purchasing their travel medical insurance, buyers said they were satisfied that they knew the policy terms, with 89% saying their knowledge was at least reasonable.

The Pollara research reports on travel medical insurance and credit protection insurance are available on the CAFII [website](#). The website also contains videos, real-life examples, explanations and FAQs about more than a dozen types of insurance including mortgage default insurance and life insurance, as well as a wide range of CPI products including mortgage life insurance, mortgage disability insurance, critical illness insurance, job loss insurance, and payment protection insurance.

While we are pleased with CAFII's progress to date in helping our members make insurance more simple, accessible, and affordable for Canadians, we know there is still more work to be done. So as we move forward towards our Association's 25th anniversary in 2022, we will continue to advocate for an open and flexible insurance marketplace in Canada, and provide consumers with the information they need to make informed choices.

Keith Martin and Brendan Wycks are Co-Executive Directors of the Canadian Association of Financial Institutions in Insurance.