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

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CAFII Executive Operations Teleconference Committee Meeting

Date:	Tuesday, February 26, 2019	**Time:**	2:00 – 3:00 p.m. EST
Location:	Teleconference Only	**Dial-in:**	416-477-0921 / 1-888-543-2249
Chair:	M. Boyle	**Pin #:**	1500

Agenda

Item		Presenter	Action	Document
1. Call to Order	**2:00 p.m.**	M. Boyle		
a. Welcome to New EOC Member (Joanna Onia, CIBC Insurance)				
2. Consent Items	**2:02 p.m.**			
a. Consultations/Submissions Timetable				✔
3. CAFII Financial Management and Governance Matters	**2:05 p.m.**			
a. Financial Statements as at January 31, 2019		T. Pergola	Update	✔
b. Appointment of new Travel Medical Experts Working Group Chair		B. Wycks/S. Manson	Decision	
c. Timelines for CAFII 2018 Audited Financial Statements		B. Wycks	Update	
d. Location for April 16/19 CAFII Board Meeting and Reception		B. Wycks	Update	
e. Date Change for June 2019 CAFII Board Meeting and Reception		B. Wycks/M. Spudas	Update	
f. Need For Meeting Space For September 24/19, November 19/19 EOC Meetings		N. Hill/B. Wycks	Update	
4. Recent and Upcoming CAFII Regulatory and Strategic Initiatives	**2:10 p.m.**			
a. CAFII/Industry Response To AMF Re CGI Spousal Coverage Issue		B. Wycks/K. Martin	Discussion	✔
b. CAFII Response To FCAC Re Online Consumer Education Materials Re "Credit Card Balance Insurance" and "Credit or Loan Insurance"		B. Kuiper/B. Wycks	Discussion	✔ (2)
c. February 19/19 CAFII Meeting with H. Troup, Comminsure, Australia		B. Wycks/K. Martin	Update	✔ (2)
d. Outcome of February 21/19 Law Firm Bidder Presentations Re CAFII Special Project; Next Steps		K. Martin	Update	✔
e. Public/Media Results Release of Pollara Consumer Research on Mortgages/HELOCs		K. Martin	Update	✔ (2)
f. Industry Advisory Group – Life and Health Insurance Meetings with FSRA Management and Board Re 2019-20 FSRA Priorities and Budget		B. Wycks/K. Martin	Update	✔
g. March 27/19 CAFII Follow-up Meeting with CCIR/CISRO FTC Working Group Re Implementation of "Guidance: Conduct of Insurance Business and Fair Treatment of Customers"		B. Wycks/ K. Martin	Discussion	✔
h. BC FICOM Follow-up Survey on Insurer Implementation of September 2015 CGI Information Bulletin		B. Wycks/K. Martin	Discussion	✔
i. CAFII Website Updates:		K. Martin	Updates	
i. New CAFII Website Video on Travel Medical Insurance Research Results				
ii. New Website Investments for 2019				✔
j. CAFII Initiation Member, Returning Member, and Associate Prospects:		B. Wycks/K. Martin	Updates	
i. New Associate Applicant: PwC				✔
ii. Sun Life Financial				
iii. HSBC Bank Canada				
k. Status of Confidential CAFII Member Survey Re FCAC Investigation(s)		B. Wycks	Update	
l. Proposed Dates for Spring 2019 CAFII Western Canada Insurance Regulators and Policy-Makers Visits Tour		B. Wycks/K.Martin	Update	
5. Other Business				
6. Tracking Issues				
a. BC 10-Year Review of Financial Institutions Act				
b. FCNB Insurance Act Rewrite; and Linked Plan To Introduce An RIA Regime				
c. AMF Consultation on Updating Sound Commercial Practices Guideline				
d. Alberta Government Plans to Create a Single Financial Services Regulator				
e. FCAC: Phase 2 of Domestic Bank Retail Sales Practices Review				
f. FSCO: ISI Market Conduct Questionnaire and CEO Attestation; and Succession by FSRA				

Next EOC Meeting: Tuesday, March 26/19, 2:00 – 4:30 p.m., Location: BMO Insurance, 60 Yonge St., 6th floor boardroom, Toronto
Next Board Meeting: Tuesday, April 16/19, 3:00 -- 5:00 p.m., Location: TBA

February 23, 2019

CAFII Consultations/Submissions Timetable 2019-20

Regulatory Issue	Deliverable	Deadline	Accountable
BC Ministry of Finance 10-Year Review of FIA (Initial Public Consultation Paper released June 2, 2015)	• Preliminary Recommendations Paper on policy proposals for change • **CAFII Response to Preliminary Recommendations Paper** • Proposed Revised Financial Institutions Act released for consultation • **CAFII submission on proposed revised FIA** • *Meeting with Ministry of Finance officials, if necessary*	• Released March 19/18 • **June 19/18** • Q2 2019 (expected) • **Q2 2019** • *Q2 or Q3 2019*	• Joint Market Conduct/ Licensing Committee; Co-EDs to monitor
Alberta Consultation on Creating a Single Financial Services Regulator	• Alta Govt. releases Consultation Paper • **CAFII Submission on Govt. Consultation Paper**	• Q2 2019(expected) • **Q2 or Q3 2019**	• Joint Mkt Conduct/ Licensing Committee; Co-EDs to monitor
AMF Sound Commercial Practices Guideline Update	• 2018 "update" consultation announced by L. Gauthier • AMF releases consultation document • **CAFII submission on updated Sound Commercial Practices Guideline**	• May 3/18 • Q2 2019 (expected) • **Q2 or Q3 2019**	• Market Conduct Cttee; Co-EDs to monitor
Quebec Bill 141 and Related Regulations	• Omnibus Bill 141 tabled and related Bill 150 subsequently tabled • CAFII submission to National Assembly Committee on Public Finance • National Assembly passes Bill 141 (certain Bill 150 provisions included) • AMF releases Regulation Respecting Alternative Distribution Methods • CAFII submission on Regulations Supporting Bill 141 • AMF Response to Feedback on Regulation Respecting Alternative Distribution Methods	• Oct 5 and 23, 2017 • January 16, 2018 • June 2018 • October 10, 2018 • December 10, 2018 • Q2 2019 (expected)	• Joint Mkt Conduct/ Licensing Committee; Co-EDs to monitor
CCIR/CISRO Guidance: Conduct of Insurance Business and Fair Treatment of Customers	• CCIR releases Draft 2 of Guidance for formal industry consultation • **CAFII submission on Draft 2 of CCIR Guidance document** • CCIR issues final version of FTC Guidance document • Meeting with CCIR/CISRO Working Group re Guidance implementation • Meeting with CCIR/CISRO Working Group re Guidance implementation	• May 3, 2018 • June 18, 2018 • September 27, 2018 • November 28, 2018 • March 27, 2019	• Market Conduct Cttee; Co-EDs to monitor
CCIR Review of Travel Health Insurance	• CCIR Travel Health Insurance Products Position Paper Released • Meeting with TIWG Re Position Paper and industry reforms • Follow-up meetings with TIWG re travel insurance data collection • Further meeting with TIWG re travel insurance data collection	• May 31, 2017 • January 29, 2018 • Oct. 24 & Dec. 5, 2018 • February 26, 2019	• EOC; Co-EDs to monitor
SK Bill 177	• FCAA releases The Insurance Amendment Regulations, 2018 • CAFII submission on The Insurance Amendment Regulations, 2018 • FCAA delays implementation of new Act and Regulations to Jan 1/20	• August 10, 2018 • September 14, 2018 • November 26, 2018	• Market Conduct Cttee; Co-EDs to monitor
FCNB Insurance Act Rewrite and Introduction of RIA Regime	• FCNB informs CAFII that development of RIA regime is well-advanced • FCNB launches industry consultation on RIA licensing regime model • Meeting with David Weir, FCNB re Insurance Act Rewrite and Introduction of RIA Regime (embedded within Rewrite initiative) • **CAFII submissions on FCNB's Insurance Act Rewrite and RIA Regime**	• May 14, 2018 • Q1 2019 (expected) • December 5, 2018 • **Q1 2019**	• Licensing Committee; Co-EDs to monitor

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

C A F I I

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

Statement of Operations
As at Jan 31, 2018

	Current Month	Budget Jan-19	Variance to Monthly Budget	Current YTD	Budget '19 YTD	Variance Budget to YTD	Budget 2019
Revenue							
Membership Fees	$64,482	$63,159	$1,323	$64,482	$63,159	$1,323	$757,904
TOTAL REVENUE	**$64,482**	**$63,159**	**$1,323**	**$64,482**	**$63,159**	**$1,323**	**$757,904**
Expenses							
Management Fees	$40,297	$40,167	($131)	$40,297	$40,167	($131)	$482,000
CAFII Legal Fees/Corporate Governan	$0	$0	$0	$0	$0	$0	$1,000
Audit Fees	$1,217	$1,217	$0	$1,217	$1,217	$0	$14,600
Insurance	$439	$458	$19	$439	$458	$19	$5,500
Website Ongoing Maintenance	$0	$683	$683	$0	$683	$683	$5,330
Telephone/Fax/Internet	$521	$483	($38)	$521	$483	($38)	$5,800
Postage/Courier	$29	$33	$425	$29	$33	$4	$400
Office Expenses	$105	$166	$61	$105	$166	$61	$2,000
Bank Charges	$0	$4	$4	$0	$4	$4	$50
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	$12,000
Board Hosting (External)	$0	$0	$0	$0	$0	$0	$30,000
Board/EOC/Meeting Expenses	$1,138	$2,600	$1,462	$1,138	$2,600	$1,462	$26,000
Industry Events	$0	$0	$0	$0	$0	$0	$1,300
EOC Annual Appreciation Dinner	$2,193	$800	($1,393)	$2,193	$800	($1,393)	$800
Sub Total Board/EOC/AGM	***3,332***	***3,400***	***68***	***3,332***	***3,400***	***68***	***70,100***
Provincial Regulatory Visits	$55	$0	($55)	$55	$0	($55)	$12,000
Research/Studies	$1,116	$5,000	$3,884	$1,116	$5,000	$3,884	$60,000
Website SEO and Enhancements	$0	$3,333	$3,333	$0	$3,333	$3,333	$40,000
Regulatory Model(s)	$0	$0	$0	$0	$0	$0	$25,000
Federal Financial Reform	$0	$0	$0	$0	$0	$0	$500
Media Outreach	$2,260	$2,917	$657	$2,260	$2,917	$657	$35,000
Marketing Collateral	$0	$0	$0	$0	$0	$0	$5,000
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	**49,466**	**58,003**	**8,957**	**49,466**	**58,003**	**8,536**	**768,980**
NET INCOME	**15,016**	**5,156**	**10,280**	**15,016**	**5,156**	**9,860**	**- 11,076**

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

CAFII

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

Balance Sheet

As at Jan 31, 2018

ASSETS	**31-Jan 2019**	**31-Dec 2018**
Current Assets		
Bank Balance	$121,927	$193,381
Investments	$0	$0
Accounts Receivable	$408,494	$0
Interest Receivable	$0	$0
Prepaid Expenses	6,303	2,197
Computer/Office Equipment	$8,014	$8,014
Accumulated Depreciation -Comp/Equp	($4,700)	($4,605)
Intangible Assets-Trademarks	$0	$0
Accumulated Amortization-Trademark	$0	$0
Total Current Assets	**$540,037**	**$198,986**
TOTAL ASSETS	**$540,037**	**$198,986**
LIABILITIES		
Current Liabilities		
Accrued Liabilities	$7,575	$18,409
Account Payable [B]	$3,236	$10,379
Deferred Revenue	$344,012	$0
Total Current liabilities	$354,823	$28,788
TOTAL LIABILITIES	**$354,823**	**$28,788**
UNRESTRICTED NET ASSETS		
Unrestricted Net Assets, beginning of year	$170,198	$180,447
Excess of revenue over expenses	$15,016	($10,248)
Total Unrestricted Net Assets	$185,214	$170,198
Total Unrestricted Net Assets	**$185,214**	**$170,198**
TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS	**$540,037**	**$198,986**

Financial Reserves Targets as per 2018 Budget:	
Minimum 3 months (25%) of Annual Operating Expenses=	**$ 192,245**
Maximum 6 months (50%) of Annual Operating Expenses=	**$ 384,490**
Current Level of Financial Reserves (total unrestricted net ass	**$185,214**
Current Level of Financials Reserve (%):	**24%**

CAFII

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

Membership Fees
As At January 31st, 2019

	Jan-18 To be billed	Jan-18 Received	Jul-18 To be billed	Jul-18 Received
BMO Bank of Montreal	$ 36,719.00		$ 36,719.00	
CIBC Insurance	$ 36,719.00		$ 36,719.00	
RBC Insurance	$ 36,719.00		$ 36,719.00	
ScotiaLife Financial	$ 36,719.00	11-Feb-19	$ 36,719.00	
TD Insurance	$ 36,719.00	11-Feb-19	$ 36,719.00	
Desjardins Financial Security Life Assurance Company	$ 36,719.00		$ 36,719.00	
AMEX Bank of Canada	$ 18,360.00		$ 18,359.00	
Assurant Solutions	$ 18,360.00	12-Feb-19	$ 18,359.00	
Canadian Premier Life Insurance Company	$ 18,360.00		$ 18,359.00	
Cumis Group Ltd/Co-operators Life Insurance Co.	$ 18,360.00		$ 18,359.00	
National Bank Life Insurance Company	$ 27,540.00		$ 27,540.00	
Manulife Financial	$ 22,000.00		$ 22,000.00	
The Canada Life Assurance Company	$ 22,000.00		$ 22,000.00	
RSM Canada	$ 4,800.00			
Willis Towers Watson	$ 4,800.00			
KPMG MSLP	$ 4,800.00			
Munich Reinsuranace Company Canada Branch (Life)	$ 4,800.00			
Optima Communications	$ 4,800.00			
RGA Life Reinsurance Company of Canada	$ 4,800.00			
DGA Careers Inc.	$ 4,800.00			
AXA Assistance Canada	$ 4,800.00			
Torys LLP	$ 4,800.00	13-Feb-19		
Feb Invoices	**$408,494**		**$365,290**	
July Invoices	**$365,290**			
Total Membership Fees	**$773,784**			
Total amount to realocate monthly Jan-Sept	**$ 64,482**			
Total amount to realocate monthly Oct-Dec	**$ 64,482**			

Translation

Québec, February 19, 2019

BY E-MAIL

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

Dear Sir:

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

Following our February 6, 2019 meeting, we confirm that we grant to your concerned members an extension until March 31, 2019 to submit the detailed action plan. We will also send them a letter to this effect, particularly to clarify our expectations regarding the in-force policies.

Furthermore, as discussed during our meeting, we ask you to submit by March 8, 2019, a proposal from your concerned members as to how they intend to make their offer of life, health and employment group insurance products compliant, particularly with respect to how they will ensure that the creditor has a pecuniary interest in the life or health of **each** person, other than the debtor, covered by this insurance.

Should you have any questions or comments, please contact Mrs. Nancy-Audrey Whittom, by telephone at 418 525-0337, ext. 4694, or by e-mail at nancy-audrey.whittom@lautorite.qc.ca.

Yours truly,

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

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

AUTORITÉ
DES MARCHÉS
FINANCIERS

Québec, le 19 février 2019

PAR COURRIER ÉLECTRONIQUE

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

Objet: **Distribution sans représentant**
Article 76 du *Règlement sur l'application de la Loi sur les assurances*
Protection offerte à des personnes autres que des débiteurs

Monsieur,

À la suite de notre rencontre du 6 février 2019, nous vous confirmons que nous accordons à vos membres concernés une prolongation du délai jusqu'au 31 mars 2019 afin de transmettre le plan d'action détaillé. Une lettre sera également transmise à vos membres, à cet effet, notamment pour préciser nos attentes concernant les polices en vigueur.

Aussi, tel que discuté lors de notre rencontre, nous vous demandons de nous soumettre pour le **8 mars 2019**, une proposition de vos membres quant à la manière dont ils entendent rendre conforme leur offre de produits d'assurance collective sur la vie et la santé des débiteurs, notamment en ce qui concerne la façon dont ils s'assureront de détenir un intérêt pécuniaire dans la vie ou la santé de **chaque** personne, autre que le débiteur, couverte par cette assurance.

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

Veuillez agréer, Monsieur, nos meilleures salutations.

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

Nathalie Sirois, CPA, CGA, MBA, CRMA

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

Credit card balance insurance

From: Financial Consumer Agency of Canada

On this page

What to know about credit card balance insurance

~~Credit card balance insurance can be expensive. It's often marketed and sold in a way that does not take all your needs and circumstances into consideration. It may not offer you the best insurance coverage.~~

Credit card balance insurance, sometimes known as balance protection insurance, is a type of credit and loan insurance which pays out your outstanding balance (subject to any limits in the policy) or makes monthly payments on your behalf to your credit card issuer if your income is interrupted by unforeseen events.

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If you already have enough term life insurance, disability insurance, job loss insurance, critical illness insurance, and ~~rainy day~~rainy-day funds in place, you may not need credit card balance insurance. However, if you wouldn't have enough money to continue making your minimum monthly payments on your credit card if your income was reduced or interrupted by unforeseen circumstances, balance protection insurance is an option to consider.

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Credit card balance insurance is not sold by a licensed insurance representative; therefore it does not include a full analysis of your financial circumstances and insurance protection needs as financial institutions are not legally permitted to offer consumers advice when offering credit card balance ~~of~~ insurance ~~or other types of credit and loan insurance~~. As with the purchase of any type of insurance coverage, you should consider whether it is appropriate insurance coverage for you.

You may be offered credit card balance insurance when you apply for a credit card, or are activating a credit card. ~~This is also called balance insurance. Balance insurance is a type of credit and loan insurance.~~

Credit card balance insurance can reduce the burden of making payments to your credit card issuerr ~~and help protect your good credit rating,~~ should your income be interrupted by unplanned circumstances such as job loss, disability, critical illness, or death.

Credit card b~~B~~alance insurance commonly includes the following types of coverage~~may help make credit card payments if you~~:

- job loss insurance~~lose your job~~
- disability insurance~~become injured or disabled~~
- ~~become~~ critical~~ly~~ illness insurance
- ~~die~~ life insurance

The amount and the duration of benefits vary depending on the credit card issuer. For example, if you lose your job or become injured or disabled, credit card balance insurance may pay~~s~~ a set percentage of your credit card balance per month (for example 5% to 2~~1~~0% of your balance) ~~may pay 5% to 10% of your credit card balance~~ up to a maximum amount ~~amount every month for a period of 10 to 24 months~~. Or, if you become critically ill or die, balance insurance ~~will~~ may pay off your balance in full or up to a maximum amount.

Like with all types of insurance, it is important that you read the~~your~~ certificate of insurance for the credit card balance insurance to ensure that you fully understand the coverage provided, and any limitations and exclusions. Ask questions if you don't understand what's covered. ~~credit card bBalance insurance has important limiting definitionss and exclusions on related to the coverage it provides.~~ For example, under some forms of certificates of insurance for credit card balance insurance~~policies,~~ not all types of cancer are considered a critical illness. ~~As with any type of insurance that you're considering purchasing, you should rRead your insurance certificatepolicy carefully and ask questions if you don't understand what's covered.~~

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~~For s~~Some people~~,~~ -- depending upon how much coverage they have in place for life insurance, disability, job loss and critical illness~~,~~ -- ~~they may not feel~~ may determine that they do not need credit card balance insurance. This is a personal decision as everybody's needs and circumstances are unique. ~~Credit card balance insurance might not be suitable or necessaryright for you if you have already have enough term life insurance, disability insurance, job loss insurance, critical illness insurance, and rainy day funds in place coverage from another insurance policy. Compare the coverage you would get with other insurance options. For example, a term life insurance policy, disability insurance policy or your employer's insurance plan may already provide you with similar coverage.~~

~~If you have enough savings to pay your balance, or if you pay your balance in full each month, you may not need credit card balance insurance.~~

Read the terms and conditions of the credit card balance insurance certificate. If you do not understand what is or isn't covered, ask questions. ~~and ask questions to understand what is and isn't covered.~~

Understand the terms and conditions ~~of credit and loan insurance~~ before ~~buying~~ agreeing to be enrolled in credit card balance insurance.

Understand your rights and responsibilities before you ~~buy~~ agree to be enrolled in credit card balance insurance.

Find out if you have credit card balance insurance

To find out if you have credit card balance insurance you can:

- check your credit card statement for balance insurance listed under optional products
- check your credit agreement for any optional products
- ~~and their cost~~
- contact the financial institution that provides your credit card to ask if you have balance insurance

Find out more about how to check for credit and loan insurance

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Commented [KS3]: Recommend against using this language as we have no way to know what the customer would use the insurance for (align with the CLHIA's recommendation)

If the FCAC absolutely wants to include it, let's pose alternative language, which I have included in highlighted text

Commented [KS4]: the three titles here appear to be redundant

Commented [KM(5]: This will link to a new section: "Understand terms and conditions of credit and loan insurance" on "Credit and loan insurance." (https://www.canada.ca/en/financial-consumer-agency/services/insurance/credit-loan.html)

Commented [KM7]: This will link to a new section: "Find out if you have credit and loan insurance" on "Credit and loan insurance" (https://www.canada.ca/en/financial-consumer-agency/services/insurance/credit-loan.html)

Buying credit card balance insurance

You can sign up for credit card balance protection insurance in person, over the phone or online through:

- banks
- credit unions
- caisses populaires
- stores and other companies that offer credit cards

You can sign up for credit card balance insurance when you are activating a new credit card. Or~~,~~ you can add it at any time after you've received your card.

If you have more than one credit card, you must enrol in credit card balance insurance separately ~~buy a separate insurance policy~~ for each card.

When you get credit card balance insurance, federally regulated financial institutions, such as banks, must give you certain information ~~both before you agree to purchase the coverage and after you have been enrolled in the coverage~~~~the~~both before and after you have been enrolled in the coverage. ~~policy takes effect~~.

Learn more about eligibility and applying for credit card balance insurance, a type of credit and loan insurance.

Understand your rights and responsibilities when you buy credit card balance insurance.

Cost of credit card balance insurance

Credit card balance insurance may be more expensive than other insurance options. However, f~~F~~or other insurance options such as term life insurance, the cost will~~pricing may~~ depend ~~But that will depend~~ upon your age, gender, and lifestyle habits such as whether you are a smoker or not.

For credit card balance insurance, you usually pay a monthly fee called a premium. ~~You usually pay a monthly fee for credit card balance insurance. This is also called a premium.~~ Premiums vary from one financial institution to another. The amount of the premium depends upon your credit card balance. The higher your balance, the higher your premium. Your premium will change each month depending on the amount you owe. Your premium will be charged to your credit card and will appear on your monthly credit card statement.

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Commented [KM(8]: This will link to "Eligibility" section on the page "Credit and loan insurance" (https://www.canada.ca/en/financial-consumer-agency/services/insurance/credit-loan.html) This will be a new section on Credit and loan insurance.

Commented [KS9]: Is this a link?

Commented [KS10]: This is not correct for balance insurance. Is this intended to say that the "other products" may be more expensive

Premiums are ~~either~~ calculated either based upon your monthly balance or as an average of your daily balances. This means that even if you pay off your credit card in full every month, you may still be charged a premium if your card had a balance on it at the end of any day during the previous month.

Example:

Say you have signed up for credit card balance insurance and your monthly premium is $0.95 per $100 you owe. This example shows how your premium would be calculated for the month of December, which has 31 days, using the average daily balance method.

Step 1: Find out the total amount of daily balances

Commented [KS11]: These balances are high. It would be more appropriate to use a more average credit card usage

An average daily balance is likely $2000-2500

Number of days	Balance amount for that number of days	Interim Average~~Sum of~~ D~~d~~aily B~~b~~alance~~s~~
5	$1000	$5,000
5	$2000	$10,000
21	$4000	$84,000

Total of Interim Average D~~d~~aily B~~b~~alances $99,000

Step 2: Find out the average daily balance

Take the T~~t~~otal of Interim Average D~~d~~aily B~~b~~alances and divide it by the number of days in the month to get the average daily balance:

$99,000/ 31 days in December = $3193.54 is the average daily balance.

Step 3: Find the cost of credit card balance insurance for the month of December:

Next, you multiply the average daily balance by the premium rate: $3193.54 x 0.0095 = $30.33.

In this example, you'd pay $30.33 for your monthly premium. If your average daily balance amount stays the same for the year, you'd pay more than $360 in insurance premiums for the year.

Example of benefits you may get from credit card balance insurance

Here are examples of benefits that may be included in a credit card balance insurance policy. The examples assume you are eligible to make a~~for the~~ claim. Keep in mind there's usually a maximum amount of benefit that you'll be able to claim.

Example 1: Credit card balance insurance benefits if you lose your job

Suppose you have a credit card balance of $1,000. You pay 19% annual interest on your balance, which means you'll be charged about $16~~5.83~~ per month in interest.

If you lose your job:

- your insurance company pays 10~~5~~% of your outstanding credit card balance, or $10~~5~~0 a month, for up to 10~~12~~ months (until your entire insurance balance is paid in full)
- your balance at the end of the first month after the claim would be $900.00~~65.83~~
- your balance at the end of ~~12~~ 10months, if you make no additional purchases, would be $348.70~~658.91~~

Commented [KS12]: 10% or 20% would be industry standard

Commented [KS13]: This would be 10 months if 10%

Commented [KS14]: If they want to include the "balance" figures, they need to also include how the interest is calculated (compounded daily? Monthly?)

Commented [KS15]: 10 months if 10%
5 months if 20%

Example 2: Credit card balance insurance benefits if you become critically ill

Suppose you have a credit card balance of $1,000. You pay 19% annual interest on your balance, which means you'll be charged about $16~~5.83~~ per month in interest.

If you become critically ill:

- your insurance company pays an amount equivalent to the outstanding balance, on the date of loss, or~~f~~ $1,000~~your entire outstanding credit card balance of $1,000~~
- your credit card balance, if you make no additional purchases, would be zero

Cancelling credit card balance insurance

You can cancel credit card balance insurance at any time. Check your certificate of insurance ~~policy~~ for the steps to take.

~~Usually you need to contact the insurance company. Keep in mind that the insurance company is often a different company than the financial institution that issued your credit card.~~

Some financial institutions offer "free look" periods for balance insurance. There's often a 30-day "free look" period after your coverage starts. Since you did not receive a financial needs analysis at the time you agreed to be enrolled in the credit card balance insurance, this period provides you with the opportunity to consider the purchase in light of your financial needs and circumstances.

During this time, you can cancel the policy and get a refund for any premiums you've paid. After 30 days, your financial institution will start charging you the premiums every month.

~~If you cancel credit card balance insurance within the "free look" trial period, you'll be refunded the premium you paid.~~

~~Some financial institutions offer trial periods for balance insurance. There's often a 30-day trial period after your coverage starts. During this time, you can cancel the policy and get a refund for any premiums you've paid. After 30 days, your financial institution will start charging you the premiums every month.~~

It's best to understand credit card balance insurance and whether it's right for you before agreeing to be enrolled in ~~purchase~~ it, even for a "free look" ~~trial~~ period.

Find out more about cancelling your insurance.

Making a complaint about credit card balance insurance

Federally regulated financial institutions, such as banks, can't charge you for credit card balance insurance if you don't agree to it.

If you notice a credit card balance insurance charge on your credit card statement, but you didn't sign up for it, contact the insurance company at the phone number provided in your certificate of insurance. ~~financial institution that issued your credit card.~~

Find out the steps to take to make a complaint.

Make a complaint about your insurance provider.

Commented [KS16]: We typically use the term "review period". The CBA uses "free look" – may want to discuss terminology with the group

Related links

- Determining your insurance needs
- Credit and loan insurance
- Disability insurance
- Life insurance

Credit or~~and~~ loan insurance

From: Financial Consumer Agency of Canada

On this page

- What to know before getting credit and loan insurance
- Find out if you have credit or loan insurance
- Decide if you need credit and loan insurance
- Getting credit and loan insurance
- Types of credit and loan insurance
- Cancelling credit and loan insurance
- Making a complaint about credit and loan insurance

What to know about credit or loan insurance

Credit or loan insurance -- also known as credit protection Insurance, creditor insurance, creditor's group insurance, credit insurance, balance protection insurance, balance insurance, or debt insurance -- is used to pay out a mortgage or loan balance (up to the maximum specified in the certificate of insurance) or to make/postpone debt payments on the customer'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.~~Credit and loan insurance can be expensive. It's often marketed and sold in a way that does not take all your needs and circumstances into consideration. It may not offer you the best insurance coverage.~~

Credit or loan insurance is not sold by a licensed insurance representative; therefore it does not include a full analysis of your financial circumstances and insurance protection needs as financial institutions are not legally permitted to offer consumers advice when offering credit card balance insurance. As with the purchase of any type of insurance coverage, you should consider whether it is appropriate insurance coverage for you.

Your financial institution may offer~~suggest~~ you ~~take~~ credit or~~or~~ loan insurance when you get a mortgage, line of credit, credit card or other loan with them. ~~This type of insurance is also known as:~~

- ~~creditor insurance~~
- ~~balance protection insurance~~
- ~~balance insurance~~
- ~~debt insurance~~

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Credit or loan insurance is optional insurance that's a separate product from a loan or credit card. You don't need to agree to be enrolled in this insurance to be approved for a loan or credit card.

~~Credit and loan insurance is a separate product from a loan or credit card. You do not have to take this insurance to be approved for a loan or activate your credit card.~~

Credit or~~and~~ loan insurance may help you cover your loan payments if you can't make payments due to illness, accident, or death, usually up to a maximum amount. Benefits are paid to your creditors. Your creditors are the companies to which~~hat~~ you owe money~~ to~~. For example, if you have credit card balance insurance, a benefit is paid to the financial institution or retailer that issued you the credit card and will~~to~~ pay part, or all, of your credit card balance, usually up to a maximum amount.

Not all credit or~~and~~ loan products will offer the same type of insurance coverage. For example, you may be able to get life insurance and critical illness insurance coverage on a line of credit, but not disability insurance.

Like with all types of insurance, it is important that you read the certificate of insurance for credit or loan insurance to ensure that you fully understand the coverage provided, and any limitations and exclusions. Ask questions if you don't understand what's covered. For example, under some forms of certificates of insurance for credit or loan insurance, not all types of cancer are considered a critical illness.

~~There are important exclusions on credit and loan insurance that determine if your claim will be approved. Exclusions are anything that aren't covered by your insurance policy. For example, certain types of cancer will not be eligible for coverage.~~ Understand the terms and conditions before purchasing credit or~~or~~ loan insurance to make sure it's the right type of insurance for you.

~~In most cases, c~~Credit or~~and~~ loan insurance applies to a specific loan or specific credit card. If you'd like insurance on multiple loans or credit cards, ~~you'd need to get insurance for each loan or card.~~you must enrol in credit or loan insurance separately for each loan or credit card.

Find out if you have credit or loan insurance

You may have credit or loan insurance on a loan or credit card. This type of insurance is an optional and separate product. It is not a feature of a loan or credit card.

Even if you didn’t purchase this type of insurance when taking out a loan or applying for a credit card, you may have agreed to a “free look”~~trial~~ period that usually lasts for 30 days. You have to cancel the coverage~~trial~~ within the “free look” trial period~~first 30 days~~ to be refunded any premium you’ve paid. If you don’t ask your financial institution to cancel credit or~~or~~ loan insurance after the 30 day trial, you will continue to be charged a premium for it.

You can find out if you have credit or loan insurance by:

- checking your credit or loan agreement for information about optional services
- contacting the financial institution or other issuer where you took out your loan or credit card

Find out how to check for balance protection insurance on your credit card.

How to cancel credit or~~and~~ loan insurance.

Commented [KM1]: This will link to “How to cancel” section in this document

Decide if you need credit or~~and~~ loan insurance

Before you agree to the “free look” period ~~take a trial~~ or agree to be enrolled~~sign up~~ for insurance on your credit or loans, make sure you receive and review information about this type of insurance. Important information about the cost of insurance, what’s covered and what isn’t covered, and the type of benefit you may receive is included in the certificate of insurance. You can get a certificate of insurance for the credit or loan insuance from the financial institution or other issuer that provides you with a loan or credit card. You don’t need to sign up for this type of insurance or agree to the “free look” period~~take a trial~~ in order to get the certificate of insurance.

You can determine if this insurance provides the best coverage and is affordable for you by:

- checking to see if you already have insurance coverage through an individual plan or your employer in case of death, illness or disability, which could be used to pay off outstanding debts
- comparing the coverage offered by other insurance products, such as term life and health insurance, to see which product meets your needs and offers the best value
- understanding what’s covered and what isn’t covered by reading the certificate of insurance
- understanding if you’ll be eligible for credit and loan insurance by reading about exclusions in the certificate of insurance

Exclusions are anything that aren’t covered. Be aware that credit and loan insurance coverage can change over time depending on your age and whether you develop certain medical conditions.

You can also check the certificate of insurance for the maximum benefit you’d be eligible for if you make a claim. For example, if you lose your job or become injured or disabled, balance insurance may pay 5% to 10% of your credit card balance up to a maximum amount every month, for a certain number of months, usually 10 to 24 months. Or, if you become critically ill or die, balance insurance will pay off your balance in full or up to a maximum amount.

If you have any questions about being approved or what the insurance will cover, contact the insurance company directly before buying credit or loan insurance. The insurance company will be listed on the certificate of insurance. It is a different company than the financial institution providing you with a loan or credit card.

Getting credit or~~and~~ loan insurance

You usually get credit or loan insurance at the financial institution where you get your loan, line of credit, credit card, or mortgage. This includes:

- banks
- credit unions
- caisse populaires
- stores that offer credit cards

This type of insurance is optional. Be aware that federally regulated financial institutions aren't allowed to pressure you into taking this type of insurance as a condition for getting a loan or credit card from them. This practice, called coercive tied selling, is illegal in Canada.

At federally regulated financial institutions, such as banks, you must give your permission to purchase credit or loan insurance before you can be charged for it. This is known as giving your express consent.

Giving your express consent means that you clearly agree to purchase credit or loan insurance. You can give consent:

- verbally
- in writing on paper
- in writing using an electronic format

Using a product or service does not mean that you've given consent.

Federally regulated financial institutions, such as banks, also can't mislead you about credit or loan insurance when you give consent. This means that credit or loan insurance must be explained to you in a way that is accurate, clear and simple.

Learn more about coercive tied selling.

Learn more about giving your express consent for financial products and services.

Understand the terms and conditions of credit and loan insurance

The terms and conditions of credit and loan insurance can vary depending on the insurer. The terms and conditions will also tell you what type of claims you can make. Make sure you understand the terms and conditions before you sign up for balance insurance.

The terms and conditions will tell you:

- the maximum benefit you may get
- the illnesses covered by the insurance policy
- what is considered a disability
- if there's a minimum number of hours you need to work to qualify for a benefit after you lose your job or become injured
- whether you'd qualify for a job loss benefit if you're self employed

Even once you've been approved, not all injuries, illnesses or periods of unemployment will be covered. For example, you might not be covered if:

- you have a pre-existing condition that gets worse
- you had symptoms of a disease when you applied
- you were fired from your job with cause
- you resigned
- you were working on a contract

If you have any questions, contact the insurance company before buying credit card balance insurance.

Eligibility for credit and loan insurance

You will be required to answer a short questionnaire of 'yes' or 'no' questions to determine if you're eligible for credit and loan insurance. Based on your answers, you may be approved right away or you might need to take a medical exam before you can be approved.

Your insurance won't be valid if you do not provide accurate answers on this questionnaire. This means you won't get any money if you try to make a claim, even if you have paid premiums. Take your time to understand if you're eligible for coverage and ask questions if you have any. Take the documents home with you or consult with a medical professional if needed.

Credit or loan insurance often has exclusions relating to pre-existing health conditions. This means the insurance may not provide coverage for certain illnesses. For example, asthma, high blood pressure or heart disease might be excluded from coverage. An exclusion is anything not covered by your policy.

Depending on the type of loan you're insuring, you may not be eligible for credit or loan insurance if any of the following apply:

- you have not worked the minimum number of hours required to qualify for a benefit, are self-employed or a seasonal employee
- you have a pre-existing medical condition
- you're above the maximum age to qualify (often between 65 and 70 years old)
- you're under the minimum age to qualify (often 18 years old)
- you're over your credit limit
- you owe any payments that are past the due date
- you have recent dishonoured payments on your account (dishonoured payment happens if an automatic payment does not go through because you've reached your credit limit)

Keep in mind that after you make a claim, the insurance company that provides insurance can more fully investigate and change your coverage. This means that the insurance company may take a close look at whether you are eligible to receive money after you make a claim. In some cases, your claim may not be approved for something you thought would be covered.

Cost of credit or loan insurance

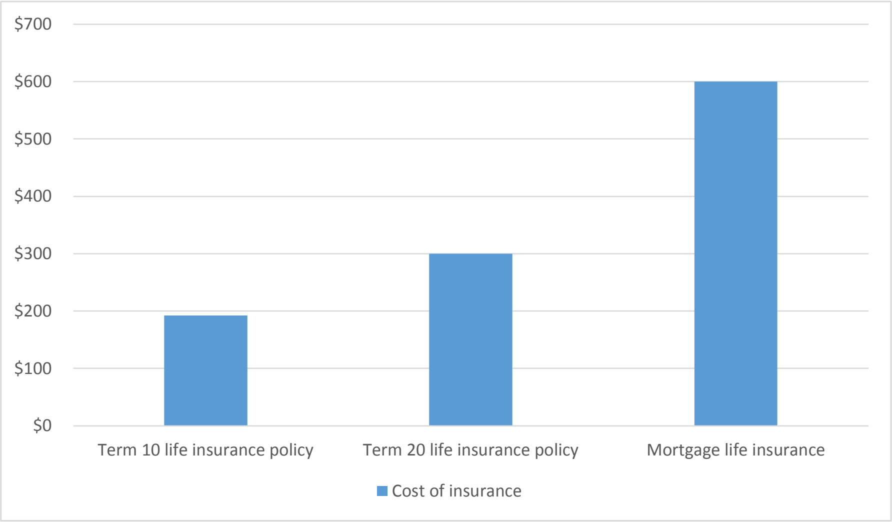
When you get credit or loan insurance, you either pay a monthly premium or a one-time premium depending on the product you're insuring and the financial institution that is providing your insurance. If you're charged a one-time premium, you usually pay this at the time your loan is approved. Monthly premiums are usually calculated based on the average daily balance of the previous month.

Credit or loan insurance may be more expensive than other types of insurance coverage.

Figure 1: Comparing the annual cost of mortgage loan insurance and term life insurance

For example, on a $250,000 mortgage with a fixed term of 5 years, at an interest rate of 5%, a 37-year-old woman would pay $600 a year to get mortgage life insurance, a type of credit and loan insurance.

To insure the same amount the woman would pay $190 a year for a life insurance policy with a 10-year term or $300 a year for a life insurance policy with a 20-year term.



Keep in mind that loans that have fixed amounts, such as a mortgage, the premiums are based on the original amount of the loan. As you pay down your loan, the premiums generally remain the same even though you'll owe less on your loan. The death benefit will decrease as you make payments and the outstanding balance is reduced.

Types of credit and loan insurance

Life insurance to pay off credit or loans

This type of life insurance covers your loan payments in the event of your death. Your insurance company will use the death benefit to pay the remaining balance on the loan. The money from your death benefit will go to your creditor. The money won't go to your family or beneficiaries.

If you want your family or beneficiaries to receive a death benefit in the event of your death, you'd need to buy a separate life insurance policy.

Learn about the types of life insurance available.

Critical illness insurance on credit or loans

This type of insurance will ensure the outstanding balance on your credit or loan will be paid if you're diagnosed with one of the critical illnesses specified in your insurance policy.

Your policy lists:

- which illnesses are covered
- what you need to qualify for the insurance

For example, cancer is usually one of the illnesses covered. However, some policies may cover only for certain types of cancer.

Pre-existing illnesses are usually not covered. However, some policies will pay benefits if you've been free of the illness for a period of time. This will be defined in your policy's terms and conditions.

Learn about supplementary health insurance to help you replace your income in the case of critical illness.

Disability insurance on credit or loans

This type of insurance ensures that the required minimum payments on your loan or credit card will be made for a certain period of time if you get an unexpected illness or have an accident that leaves you unable to work and earn an income. It generally doesn't pay off the full outstanding balance of your loan.

You'll still be responsible for paying the balance on your loan:

- when you recover
- after the coverage period ends

Your policy will define the disabilities that would make you eligible for benefits. It will also have other terms and conditions. These include:

- the amount of the payments the insurance company will make toward your credit or loan
- the length of time the insurance company will make payments toward your credit or loan

Some policies will include job loss insurance in addition to disability insurance. Job loss insurance may make the minimum payment if you can't work because of involuntary job loss. Involuntary job loss usually means if you were laid off, dismissed without cause, or if you're involved in a legal strike or walk out.

Learn about disability insurance to replace your income if you become unable to work.

If you become injured, disabled or lose your job, credit card balance insurance may make the minimum payments on your credit card or pay a specified percentage of your monthly balance.

If you die or have a critical illness, the insurance company will pay off the credit card balance owing at the time of your illness or death.

Make sure you read your policy carefully and understand what is covered and what is not.

Learn more about credit card balance insurance.

How to make a claim

Check your policy for the steps to make a claim.

Usually, you start your claim either online or over the phone through your financial institution. You will likely be asked to complete claims forms and you may be required to provide more information and take a medical exam.

Most policies require that claims are made within a certain timeframe, usually ranging from 90 days to a year, depending on the type of claim you're making. You'll find information about the timeframe to make your claim in your policy. It's important that you begin your claim during this timeframe or your claim might be declined and you will not be paid any insurance benefits.

Keep in mind that even if your claim is accepted, you will not be refunded the premiums you've already paid.

Find out more information about making an insurance claim.

Cancelling credit and loan insurance

You can cancel credit and loan insurance at any time. Check your policy for the steps to take.

Usually you need to contact the insurance company. Keep in mind that the insurance company is often a different company than the financial institution where you signed up for insurance.

Some financial institutions offer trial periods for credit card balance insurance. When your coverage starts, there's usually a 30-day trial period. During this time, you can cancel the policy and get a refund for any premiums you have paid. If you don't want credit or loan insurance you are responsible for cancelling it. After 30 days, your financial institution will start charging you the premiums every month.

[Find out more information about cancelling your insurance.]

Making a complaint about credit or loan insurance

Federally regulated financial institutions, such as banks, can't charge you for credit card balance insurance if you don't clearly agree to it.

If you notice a credit card balance insurance charge on your credit card statement, but you didn't sign up for it, contact the financial institution that issued your credit card.

Find out the steps to make a complaint.

[Make a complaint about your insurance provider.]

Related links

- [Credit card balance insurance]
- [Getting an insurance policy]

--Strictly Confidential—Please Limit Distribution—

Report on CAFII Board Confidential Dialogue and Information-Sharing Meeting With Helen Troup, Executive General Manager, Comminsure, Australia 19 February, 2019

Attendees

Helen Troup, Comminsure, Australia
Nicole Benson, valeyo and CAFII Board Chair
Martin Boyle, BMO Insurance and EOC Chair
Paul Cosgrove, Assurant
Zack Fuerstenberg, ScotiaLife Financial
Chris Lobbezoo, RBC Insurance
David Fear, Canada Life
Sandra Rondzik, CIBC Insurance
Peter Thorn, TD Insurance
Peter Thompson, National Bank Insurance
David Moorcroft, Media Consultant
Charles Blaquiere, valeyo
Scott Kirby, TD Insurance
John Lewsen, BMO Insurance
Rob Dobbins, Assurant
Sharon Apt, Canada Life
Monika Spudas, Manulife Financial
Michele Jenneau, National Bank Insurance
Vivek Sahni, RBC Insurance
Anita Mukherjee, RBC Insurance
Karyn Kasperski, RBC Insurance
Laura Bedford, RBC Insurance
Brad Kuiper, ScotiaLife Financial
Dallas Ewen, Canada Life (teleconference)
Diane Quigley, CUMIS (teleconference)
Shawna Sykes, CUMIS/Co-operators (teleconference)
Brendan Wycks, CAFII
Keith Martin, CAFII

Summary
Helen Troup is the Executive General Manager of Comminsure, the insurance arm of Commonwealth Bank of Australia (CBA)[1]. She provided several hours of testimony to *The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry*, which was conducted by the Honourable Justice Kenneth Madison Hayne and published its final report in February 2019. Because there are concerns that the findings of the Australian Royal Commission might influence the perceptions of Canadian regulators, and in order to learn from the Australian situation and consider what lessons it might hold for the Canadian bancassurance industry, Helen Troup was invited by CAFII to meet with its Board of Director and EOC members, and to hold private meetings with CAFII Member companies. Ms. Troup presented to the Board of Directors and EOC members on 19 February, 2019 from 2.30pm to 5.00pm in what was viewed as a riveting and insightful presentation; and she will be meeting with 11 CAFII Member companies over the course of her week in Canada.

[1] The Commonwealth Bank of Australia is an Australian multinational bank with businesses across New Zealand, Asia, the United States and the United Kingdom. It had 2017 revenues of $26 billion Australian dollars (1 Australian dollar converts to .94 Canadian dollar) and 52,000 employees.

Ms. Troup began by providing some context for the Australian bancassurance industry, and after this section of her presentation it became apparent that while there are some subtle differences between the Canadian and Australian industries, there is great similarity and commonality overall in how the two industries operate. Comminsure is the insurance arm of the Commonwealth Bank of Australia (CBA), and was previously wholly owned by CBA (it was recently sold). Comminsure manufactures insurance products for CBA, which is Comminsure's distributor. Comminsure pays 20% of its revenue directly to CBA (called "commission" in Australia), which is the legal limit allowed for an insurance manufacturer to pay to its distributor. CBA is the largest bank in Australia; other large banks are NAB, ANZ, and Westpac.

Insurance falls exclusively under federal regulation in Australia, principally by the Australian Securities and Investment Commission (ASIC). Other regulators in Australia are the Australian Prudential Regulation Authority, APRA (similar to Canada's Office of the Superintendent of Financial Institutions, or OSFI), and the Australian Competition and Customer Commission, ACCC (a combined Competition Bureau and Financial Consumer Agency of Canada, or FCAC). Ms. Troup noted that there was an increasing regulatory focus on mandating and enforcing a customer-focused culture in financial services, with ASIC and APRA jostling to take the lead role on promoting this approach. Ms. Troup said she remained puzzled about how this approach will be implemented effectively, asking "How do you legislate culture?"

The industry association representing the life and health insurance industry in Australia is the Financial Services Council, FSC (similar to the Canadian Life and Health Insurance Association, or CLHIA), which Ms. Troup felt was ineffective on most issues, to a considerable degree because it was not able to overcome differences in perspective and approach among individual Members, as a result of which they could not achieve consensus, leading to industry paralysis. The Insurance Council of Australia, ICA, represents general (or p&c) insurance (similar to the Insurance Bureau of Canada, or IBC). There is no parallel to CAFII in Australia; and, as a result, there was no Association defending creditor insurance products specifically. Ms. Troup felt that the lack of a deeply committed and knowledgeable industry Association in Australia was a gap, and she suggested that the Canadian industry was better positioned by having a Association focused on creditor insurance products and alternate distribution.

Ms. Troup felt that there were two strategic errors made by the bancassurance industry in Australia, over the past five to seven years in particular.

First, there was complacency—an attitude that when problems occurred in other jurisdictions, such as the Payment Protection Insurance (PPI) scandal in Great Britain, it was regarded as being not overly worrisome because those things "cannot happen here—we are different." Australian industry executives were not initially overly concerned when new staff members with British accents started to appear at ASIC -- brought over from the UK regulator after the PPI scandal there – but, in retrospect, they certainly should have been. An industry tends to be inwardly focused, and when a scandal erupts elsewhere in the world, the tendency is to emphasize the differences between the jurisdictions, as opposed to observing the overwhelming similarities that exist.

Second, the Australian bancassurance industry tended to talk just to itself, as opposed to really listening to criticisms. In retrospect, there needed to be a completely different approach where the signals of problems to come were truly absorbed, such that they could lead to changes, but that is difficult to do and never did happen in Australia. Such an approach, Ms. Troup said, requires truly courageous leadership.

Ms. Troup provided some background on Superannuation, which is mandatory government-overseen retirement savings program akin to the Canada Pension Plan (CPP). In essence, employers and employees are obliged to contribute to what is similar to a mandated RRSP, with the investments being made under the discretion and control of the employee. There are many players vying to manage these investments, including non-profits called Industry SuperFunds, and the banks[2]. These SuperFunds have a mandatory life insurance component, which is why the Australian insurance industry is involved in this product line.

Call centres were strongly criticized by the Royal Commission; but the industry's response to attacks on call centres was ineffectual, and as a result such misconceptions and myths were perceived as truths. Creditor insurance is a simple, non-advice product, but there was criticism that the product was being pushed upon customers without their consent or knowledge. In many cases, the criticism was that customers clearly did not understand what they were buying, with evidence for this being claims made that were withdrawn for ineligibility—leading the regulator to ask why the customer made the claim in the first place, unless they were not really aware of what the insurance covered and did not cover.

As a result of the Royal Commission inquiry, and despite a prohibition against advice being offered in this product line, a new regulatory thrust has emerged which seeks to move the industry away from ensuring that the customer is eligible to make a claim, to ensuring that the product is suitable for the customer—with the implementation of this concept not being clear, given that this is a non-advice product.

Some of the Royal Commission's criticisms, Ms. Troup said, were legitimate—and the industry had pushed the product to customers for whom it was not meant. For example, her bank sold thousands of loss-of-employment policies to foreign students, who are not allowed by law to work more than 20 hours per week—and the insurance is not triggered unless the policy-holder works for more than 20 hours per week. As a result, these foreign students were paying for a policy they could never claim on. This sort of behaviour leads to severe reputational damage, and is also just wrong, Ms. Troup opined; when she realized this was happening in her company, she said she felt ashamed.

Some of these issues occurred because different parts of a large institution were not aware of what was taking place in other parts, and because legacy technology systems did not always effectively capture these situations, leading to gaps in monitoring. But these are viewed as excuses; the Royal Commission asked how a large bank could not know about its own customers' eligibility and suitability for its products, and questioned how it could sell products without taking the time and making the effort to ensure that the customer could actually make a claim for an insurance policy it had been sold.

[2] Ms. Troup made a reference to a negative attack ad against the banks launched by the Industry SuperFunds. It can be viewed at https://www.youtube.com/watch?v=QHxwelimwJw

Ms. Troup said that there had been a major shift in the attitude towards banks since the 2008 global financial crisis. The Australian banks (like Canadian banks) weathered the crisis better than those in most countries; and, as a result, they were at that time widely applauded as well-managed and well-regulated. But since then, things have changed dramatically. Bank bashing has now become "a national sport" in Australia. There is now a widely held view that the banks care about profits more than they care about their customers, and that was morphing into more radical sentiments that the industry was corrupt, with a view that the behaviours of some of its executives were even verging on the criminal. There was a toll being exacted by these views, and Ms. Troup related a case where a newspaper published headshot photos of a group of bank executives, all of them pictured as being behind prison bars—and Ms. Troup knew one of those executives well, and learned that his children arrived at school to be taunted that their father "was a criminal."

Ms. Troup said that if an industry cannot achieve a consensus and speak with one authoritative voice, that would provide fodder for politicians and critics. For example, the advisor channel was highly critical of call centres, and provided arguments and statistics to buttress their point of view, all of which were then used by the Royal Commission in its case against the call centre channel.

Ms. Troup noted that Australian banks are obliged to have an external ombudsperson service, and she said that these organizations acted as spies for the regulators. The regulatory authorities stayed in close contact with these organizations, asking them what were problematic areas for them to investigate within the banks and within insurance companies.

Another issue that arose in Australia was around insurers paying fees to advisors but not ensuring that they were providing the advice to consumers which they were being paid to deliver. There were also cases of policy-holders dying, yet the advisor continued to charge their annual fees to the estate. This file alone resulted in $1 billion in fee refunds to customers. In another file, there were accusations of a culture of denying claims, and one such case alone led to a total of $30 million in costs (legal fees, employee remediation efforts, etc.) at CBA.

Ms. Troup noted that the origin of the recent regulatory scrutiny of Australian bancassurance was a 2011 ASIC report called "Customer Credit Insurance: A review of sales practices by authorised deposit-taking institutions."[3] The report issued 10 recommendations, but when the Royal Commission asked about their implementation, the banks generally indicated that they had not implemented them. The banks' argument was that the 10 recommendations were just that – recommendations and not statutory obligations – and, as such, they were voluntary in nature, an argument which was met with strong opposition by the Royal Commission. As a result, remediation orders were issued, leading CBA alone—which although the largest Australian bank, represented only 20% of the Australian bancassurance industry's volume—having to refund $90 million to 200,000 customers.

[3] The report is attached to the email that this report is also attached to, but for direct access, it can be found at https://download.asic.gov.au/media/1343720/rep256-issued-19-October-2011.pdf The report synopsis is as follows: "This report examines the sales practices of authorised deposit-taking institutions (ADIs) that sell customer credit insurance (CCI)." The report has remarkable similarities to some of the observations of the FCAC *Domestic Bank Retail Sales Practices Review.*

The banks, Ms. Troup said, thought that they were managing their regulatory issues, but instead they were failing on a number of issues, including on accessing the right data to understand customer concerns; on providing appropriate monitoring; and on understanding the shifting attitudes from regulators. As a result, concerns were escalated to the level of the politicians, who have a very different approach to resolving problems than do regulators, because for politicians, issues are viewed through the lens of re-election implications, a reality that results in their taking a markedly different approach.

By the time consumer and regulatory concerns related to bancassurance products and practices wee escalated to the political level, it was game over. The banks even made the error of making some public relations efforts without first addressing the underlying regulatory, cultural, and sales issues, and this backfired, making them look flat-footed and tone-deaf, and providing even more ammunition to the industry's critics.

Now, Ms. Troup stressed, the new standard for financial institutions is about meeting "community expectations," which is not well-defined. ASIC is now also much more focused on enforcement and fines, including levying fines that are cumulative in some cases, with one file on money laundering leading to a theoretical $2.5 trillion penalty upon CBA (this was fought by CBA in the courts, with the settlement outcome being a $700 million fine).

Ms. Troup emphasized that a major problem within the industry that led to this state of affairs was an attitude that if a mistake had been made, it could be fixed. But the regulators now feel that there should be zero-tolerance for mistakes which harm consumers; and Ms. Troup said that having gone through a grilling at the Royal Commission and with the benefit of hindsight, she now agrees with that sentiment. Imagine, she said, if the airline industry had an attitude that if it made a mistake, it would fix it—who would then book any flights, knowing that such an attitude might lead to a plane full of passengers plummeting to earth? The industry should be ashamed to sell products to people who are ineligible for them and who would never be able to make a claim on the policy they bought, Ms. Troup said.

Ms. Troup also expressed some deep concerns about relying on a legal perspective alone. APRA had issued a "CBA Prudential Report" that said that the bank should act "efficiently, honestly, fairly"—but the problem was that the bank let its lawyers take the lead on defining these concepts, and a lawyer's definition of "fairness" will not mesh with that of a regulator or a customer. A better response to these issues would have been not to rely principally on the advice of lawyers; instead, the focus should have been on addressing the fundamental business and customer issues.

Ms. Troup noted that insurers and their distributors had problems with poor disclosure, mis-selling, limited training, poor monitoring, and weak tracking of complaints. Some products, she said, had weak value propositions, including single premium products that were disadvantageous to customers. This is what needed to be the focus of attention.

Ms. Troup elaborated upon why the Australian bancassurance industry's inward focus was a major strategic blunder, pointing to the industry's own terminology as a prime example. Consider, she said, that the industry speaks of the "loss ratio" as if claims are a "loss" and a bad thing, when in fact claims are at the core of the consumer value proposition and the industry's social contract. "Loss ratio," she said, should actually be called a "claims payout ratio."

The industry needs to have much better metrics on how it is performing from a customer perspective, Ms. Troup asserted. What are the “claims withdrawn” and “claims declined” rates? What is the “claims payout ratio” and how does it compare to those of other jurisdictions? How many complaints are made, and why did those complaints occur?

As a practical example of how to apply a customer-focused approach, Ms. Troup advised that CBA now does not just sell job-loss insurance, first it asks this “knock-out question”: “Do you work full time?” -- to ensure that the customer is eligible to claim on the product. The industry is also examining how to periodically confirm that the policy-holder is still employed, moving the onus for cancelling the product due to ineligibility from the customer to the issuer.

Product design and controls also need to be dramatically improved, Ms. Troup continued. There is now a hardship provision in Australia that allows someone to suspend their loan repayments for three months if they are enduring “hardship”; and that means that insurance covering such loans needs to be suspended during the period the payments are not being made, but in practice that is not something that companies’ systems typically are structured to do.

These are examples of the sort of environment that the Australian bancassurance industry must now operate in, given that it has lost the faith of regulators and of consumers. The perception has moved from resolving occasional concerns to a view that the industry is trying to trick the regulator, such that the industry now faces the formidable task of challenging the view that the industry sells “junk insurance” that customers “don’t want, don’t need, and which have no value.”

The end result of this is that whereas Ms. Troup’s Comminsure previously generated $50-60 million in annual revenue, that has now evaporated almost completely.

The Royal Commission has recommended a deferred sales model, based on the fact that ASIC was advised by behavioural economists that selling creditor insurance at the time of the loan puts pressure on the customer, who may feel that receiving approval of the loan is conditional upon purchasing the insurance. So now there must be a four-day delay between the loan approval and the possibility of an insurance sale, and the industry has to become creative on how to make this work since this all insurance is “a product that is typically sold, not bought.”

But Ms. Troup said she felt that it was a fair and reasonable outcome of the Royal Commission that the culture of the industry must change. The Royal Commission issued six underlying principles to guide the industry’s Norms of Conduct—and Ms. Troup, asked, “who could be against those principles?” They are:

- Obey the law
- Do not mislead or deceive
- Act fairly
- Provide services that are fit for purpose
- Deliver services with reasonable care and skill
- When acting for another, act in best interest of that other

In concluding, Ms. Troup advised her audience of CAFII Member representatives to "find a customer who hates you; -- and listen to them." Doing that will change an executive's perspective and will provide powerful learning, she stressed.

She also encouraged her audience to do this: a week after speaking to a customer who hates you, contact a customer to whom you have made a major claim payout—and listen to their gratitude to you for fulfilling your social mandate, and for the social good that insurance represents.
"A claim paid day is a good day," Ms. Troup said, noting that the bancassurance industry was generally honourable and filled with integrity. It may have at times lost its way, but insurance was critical to Australia and there was much of which to be proud.

In reviewing the traumatic regulatory, media, political, and public scrutiny which the Australian banassurance industry had gone through over the past seven years, Ms. Troup said that painful changes—including changes that could lead to reduced premiums, better coverage, a focus on suitability of products for customers, and higher claims payout ratios, all leading to potentially significantly lower profitability—could have allowed the industry to get ahead of the problems that were brewing, to reinvent itself, and to save and sustain itself.

To have made such changes in Australia might have allowed the industry there to have controlled its own destiny; but because it did not do so, regulatory and political authorities made the changes for the industry, at the much higher cost to the industry of severe reputational damage and loss of control of its own destiny.

Which of these two paths the Canadian bancassurance industry takes is for us to decide, Ms. Troup said, but the overwhelming lesson for her from the Australian bancassurance industry crisis and the Royal Commission experience was that choosing to control one's own destiny was the absolutely preferred path, and one which she wished the industry in Australia had proactively taken.

Helen Troup

Executive General Manager

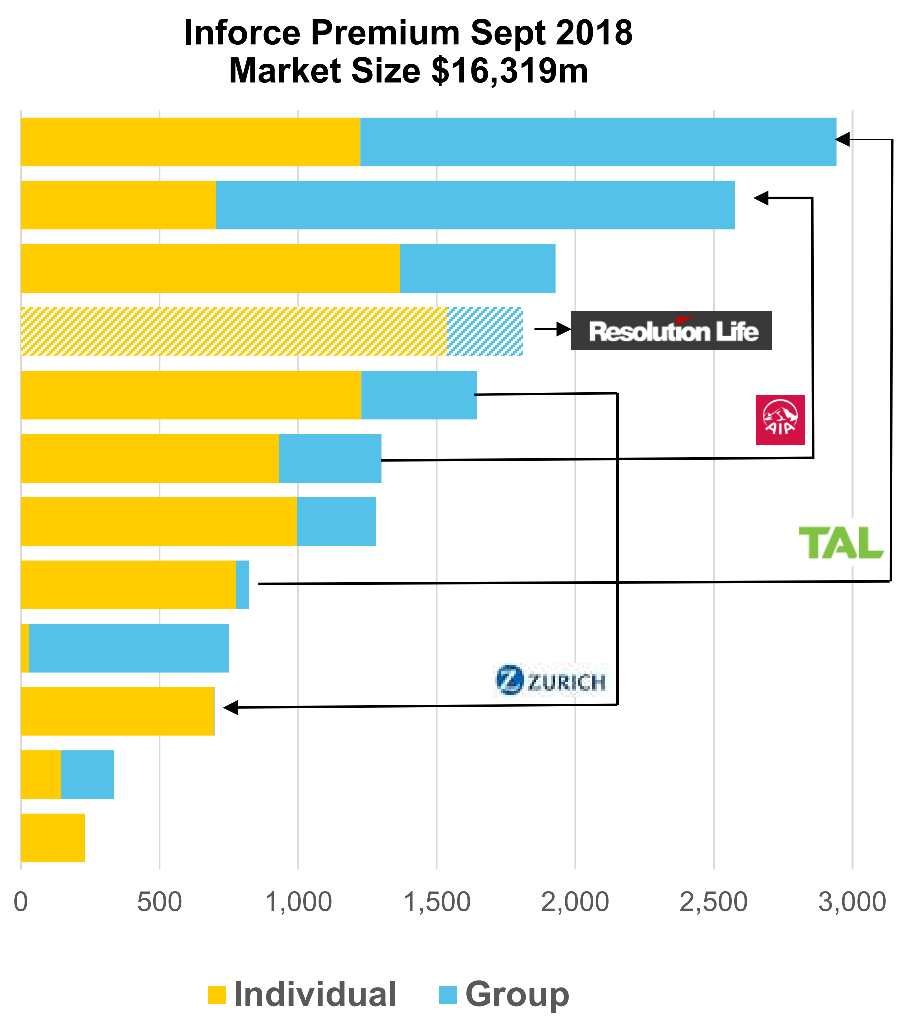
CommInsure

February 2018

The Canadian Association of Financial Institutions in Insurance

Australian Life Insurance Market

	Core Business	Advice	Group	CCI	Direct
TAL (Dai-ichi)	Life	✓	✓		✓
AIA	Life	✓	✓		✓
MLC (80%Nippon/20%NAB)	Life	✓	✓	✓	
AMP (ASX Listed)	Life	Closed to new business			
OnePath (ANZ)	Bank	✓	✓	✓	✓
CommInsure (CBA)	Bank	✓	✓	✓	
BT (Westpac)	Bank	✓		✓	
Suncorp	General	✓		✓	✓
MetLife	Life	★	✓		✓
Zurich	General	✓			
Hannover Life	Reinsurer		✓		
ClearView (ASX Listed)	Life	✓			✓



★ Launching
Individual = Advice, CCI and Direct

Regulators and Industry Associations

Australian Securities and Investment Commission
Australia's integrated corporate, markets, financial services and consumer credit regulator. ASIC's role is to enforce and regulate company and financial services laws to protect Australian consumers, investors and creditors.

Australian Prudential Regulation Authority
is the prudential regulator of banks, insurance companies and superannuation funds, credit unions, building societies and friendly societies.

Australian Competition and Consumer Commission
Competition and National Consumer Law regulator.

Financial Services Council
Sets mandatory standards and develops policy for more than 100 member companies in financial services (Superannuation, Life Insurance, Advice).

Insurance Council of Australia is the representative body of the general insurance industry.

Australian Banking Association's
Provides analysis, advice and advocacy for the banking industry and contributes to the development of public policy on banking and other financial services.

Sample of other speciality groups and external dispute bodies

Environmental Factors: Where to start and where does it end?

Range of Scandals:
- Advice – “Fees for no service”
- Austrac
- Rate rigging
- CommInsure
- Regulatory action
- Banking: BankWest/ANZ (eg farmers), responsible lending case studies
- Superannuation breaches

ASIC Regulatory Reviews (Insurance sample):
- Report 256: Consumer Credit Insurance (2011)
- Report 498: Life insurance Claims: An industry Review (2017)
- Report 587: Consumers experiences with the sale of direct life Insurance (2018)
- To come – Industry Review of implementation of report 256, TPD plus more

APRA CBA Prudential Inquiry Final Report

Government
- Scrutiny of Financial Advice Inquiry
- Financial System Inquiry
- Productivity Commission
- Sedgwick review into Retail Banking Remuneration
- Parliamentary Joint Committee into Life Insurance
- Senate Banking Enquiry
- Royal Commission

Political Environment
- International
- Liberal (Government) vs Labour (Opposition)
- Independents hold power
- Socialism
- Banks universal target

Plus
- The rise of the Consumer groups voices
- Power of Media
- Wells Fargo

Legislation changes:
- FOFA, Simple Super, Life insurance Framework (LIF/Commission), Tax, Dispute bodies

Consumer Credit Insurance

"Efficiently, honest and fairly"

Context

Product Design:
- Death
- Terminal Illness
- Trauma
- Disability
- Unemployment

CommInsure Products:
- Credit Card – CCP bundled
- Personal Loan (PLP) bundled
- Home Loan (HLP) unbundled

Sold on no advice basis, branch and phone

Can be Life or General Insurance product

Considered an "Add on Insurance"

Miss Selling

Data: Complaints, claims withdrawn and decline rates

"At Risk customers"
- Not eligible for all benefits
- Existing Health conditions
- < 25 years old

Not implemented Report 256 recommendations

Conflicts: Sales targets, remuneration models, pressure sales

Expectations on seller to "know customer" even though no advice product:
- Ineligible to Unsuitable

Monitoring

Product Design and Controls

Bank Product vs Insurance Product
- Loan start and finish
- Loan changes

Bank Hardship and Deceased Estate Processes

Funded in loan

Premium Structure vs Loan Coverage

Definitions and Exclusions: Complexity

Product Value

Claims Rates, decline rates

Loss Ratio

Questionable Customer need

Report 256: Consumer Credit Insurance (2011)

A review of sales practices by authorised deposit-taking institutions

Findings:

1. Sales volumes (19.4% conversion), denied claims (15.9%) and cancellations (13.8%)
2. Concerns with sales practices: no scripts, scripts lacked sufficient structure to prevent improvising:
   - Not aware purchased and is optional
   - May not have consented
   - Not aware many not be eligible to claim on all components
   - Use of pressure or harassment by sales staff
   - Not understand how much they pay for CCI
   - Not understand how long CCI lasts
3. Disclosure: Provision of PDS before sale, few provided reminders about cost and how to claim
4. Limited training and lack of monitoring:
   - Induction only and focused on generating sales rather than on minimising risk of non compliant sales;
   - Not specifically on CCI, not on conduct of staff selling CCI (was on had they done training and distributed documents), not structured to detect issues before materialising
5. Complaints and Breaches: variation across companies, 50% sales related

Recommendations:

1. Formal Sales Scripts
2. Evidence of Consent
3. Disclosure of interest payments
4. Separate quotes
5. Disclosure of Premium Structure
6. Duration of CCI Policies
7. Timing of provision of PDS
8. Ongoing information
9. Training Programs
10. Monitoring systems

Recommendation 1: Formal sales script

When CCI sold over the telephone, distributors should have formal scripts in place for their sales staff, Scripts should include:

(Extract from report)

(a) sufficient structure to minimise the risk of staff being required to 'ad lib' or continually refer back to the PDS to provide information to the consumer;

(b) a clear statement, made before any attempt to sell CCI, of the intention to sell insurance (this may take the form of a clear 'permission to discuss insurance' question, where the consumer's consent is obtained before attempting to sell CCI to the consumer);

(c) when CCI is cross-sold during calls made by a consumer for some other purpose (e.g. to activate their credit card), a clear delineation between the original purpose of the call and the attempted sale of the CCI product;

(d) a clear statement that the purchase of CCI is optional;

(e) the use of words such as 'purchase' and 'buy' to describe the purchase of CCI, rather than potentially misleading words such as 'activate', 'enrol' and 'process';

(f) a clear question asking the consumer if they consent to the purchase of CCI (asked after the consumer has been provided with all relevant information about the product);

(g) a clear explanation of the main exclusions that apply to the CCI policy (and where CCI is sold as a packaged product, this should include a clear explanation of the main exclusions that apply to each component of the policy);

(h) clear instructions for staff to end any attempted telephone sale if a consumer indicates once, or at the most twice, that they do not want to purchase the product;

(i) information about the cooling-off period, without using the cooling-off period as a selling point (this may be best achieved by providing information about the cooling-off period after the consumer has clearly agreed to buy the product); and

(j) information about the full cost of the CCI policy (see also Recommendations 3–5).

When sales are made in branches, we encourage distributors to adopt an approach based on this recommendation (e.g. by requiring staff to use a checklist covering the elements included in this recommendation).

We also note that, where only general advice is provided, consumers must be issued with a general advice warning that complies with s949A of the Corporations Act.

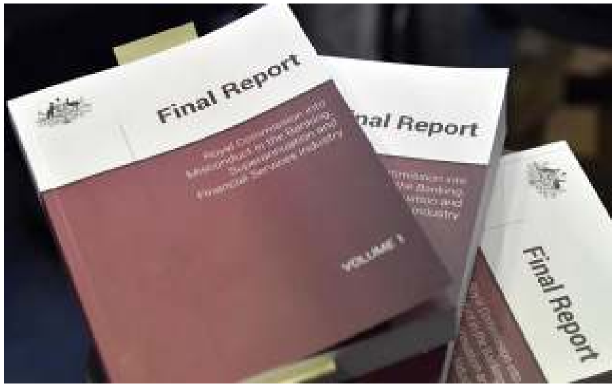
Royal Commission: A summary

4 Observations

1. Connection between conduct and reward
2. The asymmetry of power and information between financial services entities and their customers
3. The effects of conflicts between duty and interest
4. Holding entities to account

Underlying principles – Norms of Conduct

1. Obey the Law
2. Do not mislead or deceive
3. Act Fairly
4. Provide services that are fit for purpose
5. Deliver services with reasonable care and skill
6. When acting for another, act in best interests of that other



Laws already support this – need to be enforced and misconduct not rewarded

“Efficiently, Honestly, Fairly”

“Misleading and deceptive conduct”

Royal Commission

15 Specific Insurance Recommendations, plus Superannuation and all "Sector" recommendations

3	**Have strategic implications for Direct, Bancassurance and Superannuation channels**	▪ Anti Hawking – extend and modify rule ▪ Deferred Sales Models ▪ Additional scrutiny for Trustees in regard to arrangements (particularly related parties)
10	**Implementation challenging, devil in the detail, will increase premiums**	▪ Duty of disclosure - duty to take reasonable care to not misrepresent ▪ Clarify remedies for nondisclosure ▪ Apply unfair contracts ▪ Remove Claims handling exemption from financial service definition ▪ Make industry codes enforceable and….. ▪ Add more sanctions ▪ Universal policy terms in MySuper ▪ Status attribution to be fair and reasonable (Super) ▪ *End Grandfathered Commission* ▪ *Limit ability to deduct advice fees without consent*
8	**Other related…**	▪ BEAR ▪ Co operate with AFCA ▪ *Quality of Advice* ▪ *Commission review Advice* ▪ *Conflicted Remuneration - CCI* ▪ *Culture* ▪ *Remuneration* ▪ *Regulators "enforce the law"*

NB: Cap on Motor vehicle commission and funeral expense recommendation not include above

REQUEST FOR PROPOSAL

LAW FIRM TO MANAGE SPECIAL PROJECT
ON
CREDIT CARD BALANCE PROTECTION INSURANCE

FOR
CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE (CAFII)

JANUARY 2019

CAFII Request for Proposal for Law Firm to Manage Special Project on Credit Card Balance Protection Insurance

Contents

CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE

REQUEST FOR PROPOSAL FOR LAW FIRM TO MANAGE SPECIAL PROJECT ON CREDIT CARD BALANCE PROTECTION INSURANCE

EXECUTIVE SUMMARY

The Canadian Association of Financial Institutions in Insurance (CAFII) is currently seeking proposals from law firms to manage a special project on credit card balance protection insurance (CCBPI).

Credit Card Balance Protection Insurance (CCBPI) has been identified by some regulators, including the Financial Consumer Agency of Canada (FCAC), as a “problematic” product. There are signals that Canadian insurance regulators may focus increased attention on this product. There has also been heightened media focus on this product recently, for example the 9 November, 2018 CBC Marketplace story on CCBPI.

It is important for the industry to be prepared for such developments, to be able to articulate and provide evidence of the consumer value proposition of this product, and potentially to make enhancements to the product to strengthen the industry’s case that it is listening and responding to concerns from regulators and consumer groups.

CAFII is the industry Association most directly focused on CCBPI and intends to play a leadership role in promoting the interests of the industry around this product. CAFII needs to put itself and its Members in a position of poised readiness to present positive information about the product to regulators, media, consumer groups, and other stakeholders.

This RFP, in its entirety, provides a detailed explanation of the nature and purpose of this special project. In summary, however, CAFII, on behalf of its Members, seeks to identify the concerns that CCBPI has elicited from regulators and consumer advocacy groups in other countries and compare them to the situation in Canada; to identify where the situation is the same or different in Canada, and what are the risks and opportunities this presents for the Canadian industry; and from those findings, to determine what aspects of CCBPI could be reformed, either at an industry or proprietary level, and make recommendations on those opportunities.

We seek a law firm with a national and international insurance and financial services regulatory presence who can manage this entire process, which may include outsourcing certain components to research, strategy, or other consulting firms, as appropriate. **The reason that we have chosen to seek a law firm to manage this process is our overarching desire to have a competition law lens oversee the entire process, to ensure that at no time would CAFII and its Members inadvertently stray into conversations or actions that are prohibited under the Competition Act or be otherwise inappropriate.**

Clarification questions on this RFP can be sent directly to CAFII Co-Executive Director Keith Martin at keith.martin@cafii.com. All questions will be collected into one document and a consolidated document with all the answers will be sent to all organizations who indicate that they will be participating in this RFP. The identity of the organization posing a question will not be disclosed. The deadline for submitting clarification questions is **5:00 PM, Tuesday, 22 January, 2019;** and CAFII will distribute a consolidated response document by **Tuesday, 29 January, 2019.**

The deadline for submission of proposals is **5:00 PM, Thursday, 14 February, 2019**. Each firm submitting an RFP response will then be invited to present their proposal in a meeting with a Selection Committee of the CAFII Board of Directors. We anticipate that presentation meetings will occur on **Thursday, 21 February, 2019**. Proposals should be submitted electronically through an email sent to keith.martin@cafii.com.

INTRODUCTION AND BACKGROUND ON CAFII

The Canadian Association of Financial Institutions in Financial Services

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

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

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

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

TIMELINES

CAFII has identified the following timelines for this RFP:

January 11, 2019 – Distribution of NDA; after signed NDA is received, firm will be sent RFP
January 22, 2019 (5.00P PM)—Deadline for submission of RFP clarification questions
January 29, 2019—CAFII circulates consolidated responses document to answer RFP clarification questions
February 14, 2019 (5:00 PM) – Deadline for RFP Submissions
February 21, 2019 – Presentations by respondent firms to CAFII Board of Directors
Post February 21, 2019 – CAFII's Selection Decision Announced
7 Weeks Following Selection Decision—Deadline for Submission of final outputs with winning firm presenting to Board of Directors on 16 April, 2019

CONFIDENTIALITY AND ACCESS TO MATERIALS

All data and information which firms participating in this RFP gather from CAFII or its Members must be managed in a strictly confidential manner and be maintained on computer programs in a secure and encrypted manner. All firms bidding on this RFP are to have pre-signed an NDA. Any third-party firms the bidding firm seeks to engage in this RFP, and with whom it shares any information contained in the RFP, is expected to sign an NDA with the bidding firm prior to any information being shared with that third-party.

DETAILED REQUIREMENTS

Competition Law Lens Throughout the Process

Because part of the CCBPI discussions which CAFII Members may engage in includes the consumer value proposition of the product and potential enhancements to it, and because we must remain fully compliant with Canada's Competition Act, we seek to retain the services of a firm with recognized expertise in both competition law and insurance law, which can advise us of the areas of permissible discussion and those which must be avoided. Initially, CAFII will provide background on the types of activities we seek to engage in, to obtain general competition law advice. However, if we ultimately decide to pursue discussions among Members of the Association in areas of potential sensitivity from a competition law perspective, it would be advisable that we do so with the involvement of a competition lawyer so as to ensure, and be able to document, that no inappropriate discussions inadvertently take place. For this reason, we will also seek to have the law firm manage the entire process including outsourcing to special expertise firms to be engaged with respect to some of the outputs we seek.

As part of the proposal to us, please identify which remuneration model you recommend for the competition law lens (for example: retainer, billing for actual time, or lump-sum based on expected effort for overall project). Please indicate your expectations around remuneration

(paid up front, paid upon completion of project, portion paid up front and remainder paid upon completion etc.)

Understand Similarities and Differences Between Canada and Other Markets; and the Consumer Value Proposition of CAFII Members' CCBPI

As a key output of this special project, CAFII seeks an internationally-focused comparative research project. This is not intended to be technical or legalistic analysis. Rather, we are trying to compare Canada to four jurisdictions, in particular: Australia, U.K., U.S., and Ireland, along the following dimensions: what was it about CCBPI that upset regulators and consumer groups in these jurisdictions?; with respect to those issues that upset regulators and consumer groups in those countries, what is the same here in Canada? What is different here in Canada? What can we change here (possible reforms, some at an industry level, some proprietary)?

More specifically, following is an illustrative, and not exclusive, list of some of the questions that a research program might be able to address:

- What features of CCBPI most concerned regulators in Australia, the UK, the US, and Ireland?
- How are those features of CCBPI different, or similar, in the Canadian marketplace?
- What is the consumer value proposition of the product in Canada? What are the major benefits to consumers as CCBPI is currently structured in this country?
- What are the major criticisms levied at the product in Canada by regulators, media, and consumer groups?
- How does the product differ among different CAFII Members? (This could be a table showing, based on public information, how each product differs in terms of price, exclusions, limitations, eligibility, claims approach (what is paid out if a claim is made) etc.)
- What features of the Canadian CCBPI marketplace are different from the environment in other jurisdictions (such as the regulatory environment, controls, compliance, training, adherence to the fair treatment of customers, etc.)?
- What is the CCBPI loss ratio in other jurisdictions? What indications are there in Australia, the UK, the US, and Ireland of what regulators and consumer groups consider a minimum acceptable loss ratio for this type of insurance product?
- What are the similarities and differences in the CCBPI regulatory environment in Canada versus those in the four other jurisdictions?
- What are the differences and similarities between Canadian business culture and support for the fair treatment of customers, relative to the four other jurisdictions?
- What are the similarities and differences around CCBPI controls / training / monitoring / sales incentives in Canada relative to those in the four other jurisdictions?

Criticisms of CCBPI

By way of further clarity on the issues that the research should explore, following are some of the complaints that have been made about CCBPI:

- Aggressive/high-pressure sales tactics;
- Consumers enrolled in the product without express consent;
- CCBPI typically offers bundled insurance coverages, parts of which the customer may not be eligible for e.g. a retiree signs up for a bundled package which includes job loss insurance;
- FIs enrol consumers who are not eligible (for example, job loss coverage for unemployed people);
- Not clear on pre-existing conditions / exemptions / exclusions;
- Too many exemptions / exclusions;
- "Post-claims underwriting" with a high percentage of claims denials;
- Difficulty to make a claim – high claims denial rate;
- Too expensive / low loss ratio;
- Profit machine for banks;
- Consumers not aware of free look period;
- Free look period used as leverage in a high-pressure sales process
- Employees incented to sell product/have sales targets, resulting in a conflict of interest.

Decision about Firm that Conducts the Comparative Research Project
We will leave it to the firms bidding on this RFP to determine whether they wish to conduct the comparative research project using internal resources, or would outsource to an outside company with expertise in this area. If the latter, we expect to be engaged in the effort and seek to have the selected law firm provide competition law lens oversight throughout the process. For illustrative purposes only, following are examples of firms that we believe could have the required expertise to conduct this comparative research project.

Table One—Potential Firms to Conduct Research and Offer Strategic Advice

Legal Firms	**PR/GR Firms**	**Consultancy/Strategy/Research Firms**
Torys	Hill + Knowlton Strategies Canada	KPMG
Fasken	Fleishman Hilliard Public Relations	McKinsey & Company
Stikeman Elliott	Ipsos	E&Y
Blakes		PWC
BLG		Deloitte Consulting
		Boston Consulting Group
		Bain & Company

Research Methodology
We will leave it to the firms bidding on this RFP to determine what is the methodology to answer these questions, but we believe that among the methods are:

- Review of public documents;
- Review of website information;

- Academic and government studies;
- Other publicly available documents;
- Interviews with experts including CAFII Members, business people in the other jurisdictions, and experts within the law firm itself or outsourced firms who have knowledge of these matters.

Research Effort and Price Ranges

CAFII Is seeking the research output, and the strategic recommendations as outlined in the next section, within 60 days of the granting of the contract. As there could be a variety of different types of reports depending on the complexity and depth of analysis, we are open to bidding firms providing cost ranges based on the depth of the analysis—for example, a 25-page report with limited analysis at price A, a 50-page report with more detailed analysis at price B, etc.

Final Report to Include Strategic Recommendations Including Possible Reforms and Enhancements to the CCBPI Product

A key objective of this research is to identify where there may be risks for the Canadian CCBPI product and the industry which offers it. Another objective is to identify where the criticisms and concerns levied in other jurisdictions may not be relevant and applicable here. Out of these research findings, we also seek **expert strategic recommendations** on what are the risks and opportunities for the Canadian industry, including possible reforms that could demonstrate that the industry is being proactive and responsive to the concerns of insurance regulators and consumer advocacy groups. Some of these reforms could be at an industry level (for example, one option would be Guidelines similar in nature to CLHIA Guidelines); others might be changes made at a proprietary level within individual companies. **In all cases, it is critical that this component of the effort include a competition law lens that ensures that all discussions, and any actions taken, fully comply with obligations under the Competition Act.**

ENGAGEMENT OF THE WIDER INDUSTRY

This section of the RFP is for background information purposes only. If coming out of this Special Project, there are reforms contemplated to CCBPI, there are non-members of CAFII whom we may wish to engage in the industry-wide reforms opportunity. This will be a consideration that CAFII will discuss with its Members. The non-members of CAFII players include Canadian Tire Financial, PC Financial, Walmart Bank, Rogers Bank, HBC, Sears, and Chubb Insurance. As well, as this project moves forward, CAFII would need to find a way to keep the Canadian Bankers Association (CBA) and the Canadian Life and Health Insurance Association (CLHIA) informed of developments.

POSSIBLE PHASE II OF THE SPECIAL PROJECT ON CCBPI

After considering the output of Phase I of this project, CAFII and its Members may consider a Phase II which would involve an RFP to engage a government relations / public relations firm which would develop a GR/PR campaign based on our findings in Phase I, including any reforms that may be made at an industry or proprietary level. This will only be decided upon after the completion of Phase I, but if we do proceed with a Phase II, a competition law firm would also be engaged as part of that effort.

ADDITIONAL WORK COMING OUT OF THIS SPECIAL PROJECT

It is possible that individual CAFII Members will seek the involvement of a competition law firm to guide them through any proprietary CCBPI reforms they may engage in coming out of this industry Association-led special project on CCBPI.

PROPOSAL SUBMISSION—REQUIRED CONTENT

Review all of the detailed requirements as outlined above and provide a written submission detailing how your organization is able to meet or exceed these requirements, including pricing for each of the services required and any and all additional costs you would charge for.

Provide details around how your firm would structure this process and the required outputs, and detail the costs associated with each component part as well as the overall cost.

Provide details on what components of this special project you would outsource and the process for such outsourcing.

CAFII EVALUATION CRITERIA

Criteria	**Weight**
Firm has demonstrated a thorough, comprehensive, credible understanding of the project; has demonstrated that it has the required expertise and experience within the firm to lead the project; and has proposed an efficient and effective process for managing the project	45%
Firm's price is competitive	25%
Firm has a solid outcourcing plan to supplement its own expertise, as appropriate	15%
Firm has demonstrated knowledge of CAFII and its Members, including being an Associate of CAFII, so that CAFII time and effort required for orientation and assistance in climbing learning curve will be minimal. **Specifically:** CAFII Associates get 3 automatic points in this category All bidding firms are assessed on "demonstrated knowledge of CAFII and its Members," with a maximum possible score on this dimension of 12 points	15%

APPENDIX A

Non-Disclosure Agreement

Competition Laws. WINNING FIRM represents and warrants that it is familiar with, has complied with, and will comply, in all respects, with applicable competition laws including the provisions of Canada's Competition Act and will implement appropriate policies, conduct appropriate training of its employees and directors, and adopt appropriate processes for meetings and documentation to ensure that it and they will remain compliant.

Third-Parties. All firms bidding on this RFP are to have pre-signed an NDA. Any third-party firms the bidding firm seeks to engage in this RFP, and with whom it shares any information contained in the RFP, is expected to sign an NDA with the bidding firm prior to any information being shared with that third-party.

General Provisions. WINNING FIRM agrees and undertakes to maintain in strict confidence any data or information provided by CAFII and CAFII Members ("Confidential Information") by virtue of the Initiative, to restrict access to the Confidential Information only to those employees engaged in the Initiative and who have a need to know for the purposes described herein to the exclusion of any other employees who do not provide services in connection with the Initiative, and use the Confidential Information for no other purposes than those set out herein (except if required otherwise by applicable laws, court or governmental agency). Moreover, WINNING FIRM agrees to not use or attempt to use the Confidential Information in any way that would be in violation of any applicable law or in any manner that could be deemed anticompetitive. WINNING FIRM will be liable for any failure by its employees to comply with the terms of this agreement.

All Confidential Information will remain the exclusive property of the applicable disclosing party, and WINNING FIRM will have no rights, by license or otherwise, to use the Confidential Information except as expressly provided in this agreement.

WINNING FIRM will not use Confidential Information for any purpose other than evaluation and implementation of the Initiative. WINNING FIRM will not disclose, make available to, or provide or permit access to or use of any Confidential Information, by a third party except as permitted by this agreement. WINNING FIRM agrees that it will establish safeguards to ensure that all data is uniquely identified as to the Initiative participant to whom it belongs and all Confidential Information will be secure from unauthorized access and/or use.

In the event of any actual or suspected security breach involving Confidential Information WINNING FIRM will immediately notify CAFII and CAFII Members, immediately allocate required resources to address and cure the breach and implement all reasonable mechanisms to mitigate the risk and prevent future occurrences, including cooperating in all reasonable respects with CAFII and CAFII Members to minimize the impact of the security breach or loss and any damage resulting therefrom.

Upon written request from CAFII or a CAFII Member, WINNING FIRM will promptly return or destroy, and verify in writing its destruction of all material, in any form, embodying a disclosing party's Confidential Information.

This agreement will be governed by and construed in accordance with the laws in force in the Province of Ontario, and the parties attorn to the nonexclusive jurisdiction of the courts of Ontario.

Confidentiality and Data Privacy. Each party shall protect all confidential information which the other party provides to it (whether orally, in writing or in any other form) against unauthorized access, use, disclosure, destruction, loss or alteration using at least the same degree of care that a party uses to protect its own confidential and/or proprietary information, but in no event less than a reasonable degree of care.

Each party's obligations will not apply to information: (i) already known to it at the time of disclosure; (ii) in the public domain or publicly available; (iii) available from a third party who is under no such obligation of confidentiality; or (iv) independently developed by it. Each party may disclose confidential information to its legal advisors to protect its own legitimate interests and to comply with any legal or regulatory requirements. If any court, regulatory authority, professional body or legal process requires the recipient to disclose information covered by this confidentiality obligation, then the recipient may make any such disclosure; provided that the recipient will, if permitted by law, advise the other party promptly of any such requirement and cooperate, at such other party's expense, in responding to it.

Irrespective of where WINNING FIRM receives or holds individually identifiable personal information ("Personal Data") on behalf of any of the other parties, WINNING FIRM confirms that, acting as data processor it will take appropriate technical, physical and organizational/administrative measures to protect that Personal Data against accidental or unlawful destruction or accidental loss or unauthorized alteration, disclosure or access. WINNING FIRM will only use that Personal Data for the purposes of providing services to the other parties or for other reasonable purposes which are related to the services WINNING FIRM provides, unless the parties instruct otherwise. The other parties and WINNING FIRM shall each comply with the provisions and obligations imposed on each of them by applicable data privacy legislation and regulations.

Limitation of Liability. If WINNING FIRM services do not conform to the requirements agreed between all parties, WINNING FIRM will be notified promptly and it shall re-perform any non-conforming services at no additional charge or, at WINNING FIRM option, refund the portion of the fees paid with respect to such services.

If re-performance of the services or refund of the applicable fees would not provide an adequate remedy for damages, the aggregate liability of WINNING FIRM and its employees, directors, officers, agents and subcontractors (the “related persons”) to the parties whether in contract, tort (including negligence), breach of statutory duty or otherwise for any losses arising from or in any way connected with our services shall not exceed in aggregate the greater of (a) $250,000 or (b) the total amount of the fees paid to WINNING FIRM for the services provided pursuant to this agreement, unless otherwise agreed in writing. Nothing in these terms shall exclude or limit the liability of WINNING FIRM or its related persons in the case of: (a) death or personal injury resulting from our or our related person’s negligence; (b) willful misconduct; (c) fraud; or (d) other liability to the extent that the same may not be excluded or limited as a matter of law. In no event shall WINNING FIRM or any of its related persons or affiliates be liable for any incidental, special, punitive, or consequential damages of any kind (including, without limitation, loss of income, loss of profits, or other pecuniary loss).

Where WINNING FIRM are jointly liable with another party, WINNING FIRM shall to the extent permitted by law only be liable for those losses that correspond directly with its share of responsibility for the losses in question.

SIGNED BY REPRESENTATIVE OF WINNING FIRM

FSRA Priorities & Budget

Life and Health Insurance Sector

Overview

- General comments
- Some specific feedback on priorities:
  - Reducing Burden
  - Regulatory Effectiveness
  - Insurance Conduct
  - Proposed Budget

General Comments

- Support priorities set out in consultation document
- Both the identified priorities and proposed budget strike the right balance of ensuring a steady and stable transition to FSRA as Ontario's regulator, while also demonstrating FSRA's intention to distinguish itself as a regulator that will be:
  - Open for business
  - Technologically savvy
  - Engaged with all stakeholders
  - An innovation enabler
- Timelines are ambitious; industry stands ready to assist
- Harmonization: Life & health insurers support coordination where regulatory requirements and expectations are similar across jurisdictions
  - Most companies operate across provincial boarders making harmonization an essential component of burden reduction and effective regulation
  - CCIR/CISRO play an important role in coordinating public policy

Reducing Burden

- Review Inherited Guidance
  - Industry is pleased to assist through working groups or other means of consultation
  - Much work to do in a short time
  - Harmonization helps to ensure appropriate consumer protections and fair outcomes

- Data Collection and Filing Requirements
  - In terms of life & health insurers, encourage FSRA to leverage data already collected (e.g., CCIR Annual Statement on Market Conduct)
  - Similar comment on time line

- Establish Meaningful Service Standards
  - Look forward to industry consultations

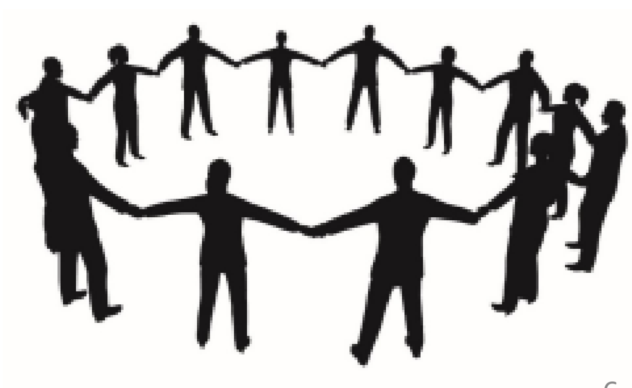
- Expertise on current life & health insurance products, distribution channels, regulatory requirements, and standards of practice could help in achieving the above targets

Regulatory Effectiveness

- Protecting the public interest
  - Industry supports a client centric approach to understand consumers' needs and how they may be impacted by policy decisions
  - Access to insurance products and advice means that consumers are able to protect themselves and their families
  - The role of the Consumer Office should be clearly defined
- Enable Innovation
  - Innovation is essential to serving consumers and ensuring a thriving & competitive marketplace
  - Encourage an approach to the Innovation Office that facilitates new products and new methods for service delivery while ensuring consumer protection
- Enhance Stakeholder Collaboration
  - Appreciate consultative approach to date & look forward to ongoing collaboration
  - Believe greater life & health insurance expertise on FSRA Board and staff, which would take into account the uniqueness of our products & distribution channels in contrast to the other sectors FSRA will regulate, would enhance the collaborative process
- Modernize System Process
  - Modern systems support underpin all priorities: e.g. innovation, licensing effectiveness, and efficiency

Insurance Conduct

- Adopt effective market conduct standards
  - Life & health insurers continue to explore ways that insurers and distributors can work together to achieve better oversight; suggest further consultations with FSRA
  - Principles-based approach to regulation supports effective conduct standards & allows for evidence-based regulatory action
  - Harmonization will help to ensure effective market conduct standards
- Harmonize treating financial services consumers fairly guidance
  - Support harmonized regulatory approach to FTC
- Improve Licensing Effectiveness and Efficiency
  - Support system modernization, integration & reciprocal regulatory arrangements



Budget

- Reasonable
- Appreciate consultation to date
- Support funding for industry specific expertise

Thank you

Agenda Item 4(g)
February 26/19 EOC Meeting

From: Tony Toy <Tony.Toy@fsco.gov.on.ca>
Sent: February-12-19 11:18 AM
To: Brendan Wycks <brendan.wycks@cafii.com>
Cc: Keith Martin <Keith.Martin@cafii.com>; CCIR-CCRRA <ccir-ccrra@fsco.gov.on.ca>; Saveria Villanti <Saveria.Villanti@fsco.gov.on.ca>; Joanna Reading <Joanna.Reading@fsco.gov.on.ca>
Subject: FW: Fair Treatment of Customers Industry Meetings

Hi Brendan,

As noted below, CCIR and CISRO have scheduled the first 2019 quarterly in-person meeting with the CAFII for 3:30-5:00pm on Wednesday, March 27, 2019.

The meeting will be held at the FSCO Offices located at:

5160 Yonge Street
Toronto ON
M2N 6L9
4th floor boardroom

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: 4069240#

If there are specific issues or questions CAFII would like to raise, please provide those items in advance of the meeting. 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.

CCIR looks forward to meeting with its stakeholders as we work towards implementing the principles of the Fair Treatment of Customers Guidance.

Tony Toy
Senior Policy Manager
Regulatory Coordination Branch
Financial Services Commission of Ontario (FSCO)
T: (416) 590-7257
E: Tony.Toy@fsco.gov.on.ca

From: Tony Toy
Sent: Monday, January 14, 2019 9:59 AM
To: 'Brendan Wycks' <brendan.wycks@cafii.com>
Cc: Keith Martin <Keith.Martin@cafii.com>; CCIR-CCRRA <ccir-ccrra@fsco.gov.on.ca>; Saveria Villanti <Saveria.Villanti@fsco.gov.on.ca>; Joanna Reading <Joanna.Reading@fsco.gov.on.ca>
Subject: Fair Treatment of Customers Industry Meetings

Hi Brendan,

CCIR and CISRO would like to thank CAFII for participating at the November 28, 2018 meeting regarding the Fair Treatment of Customers (FTC) Guidance in Toronto.

The meeting provided an opportunity for industry participants to engage with CCIR and CISRO, in-person, post release of the Guidance in September, 2018. The meeting allowed regulators to clarify issues industry had at the time and communicate their expectations. As regulators and industry start to align practices to the principles of the Guidance, it was agreed that we would have quarterly in-person meetings into 2019 to address any further clarifications and provide updates on developments.

The first quarterly meeting is anticipated to be on March 27 and 28. We are in the process of scheduling the times for each group.

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

Thank you.

Tony Toy
Senior Policy Manager
Regulatory Coordination Branch
Financial Services Commission of Ontario (FSCO)
T: (416) 590-7257
E: Tony.Toy@fsco.gov.on.ca

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

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

Attendees From CAFII:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CGI Compliance Follow-up Inquiry

INSTRUCTIONS

Please answer the following questions fully and concisely and return the completed inquiry to Roberta Lam at roberta.lam@ficombc.ca by March 25, 2019.

You may contact Roberta Lam by email or telephone at (604) 218-8439 if you have any questions regarding this inquiry.

FICOM may conduct a more detailed follow-up inquiry with individual insurers or seek additional supporting documentation to validate responses received.

All responses received by FICOM will be handled in adherence to section 218 of the FIA.

INQUIRY

Full Legal Name of Insurance Company: ____

Contact Person (Name, title and email address): ____

Information about your creditor group insurance products (CGI) offered in BC

1. Does your company currently offer CGI in BC?
   ☐ Yes ☐ No

   If you answered 'No' to the above question, you do not have to complete the remainder of the inquiry and can proceed to the signature section at the end.

2. Please indicate your company's premium income earned from CGI in BC for 2018.

3. Please indicate all distribution channels selling CGI (e.g. mortgage brokers, auto dealers, pay day lenders, credit unions, retailers, etc.).

4. Provide the names of financial institutions (including federally regulated financial institutions, such as banks) selling your CGI products.

5. Specify the types of products you are providing CGI coverage for (e.g. mortgages, consumer loans, credit cards, car loans, etc.).

Adherence to Information Bulletin INS-15-002 (Bulletin)

Expectations for Insurers

The Financial Institutions Commission (FICOM) expects insurance companies to have robust and effective oversight and controls over its CGI products, from formation of the contract to the settlement of claims.

Where an insurer uses a third party in the sale or distribution of an insurance product, the insurer must extend its oversight and control regime to the functions provided by that third party.

At a minimum, an effective oversight and control regime includes the following:

I. Ongoing monitoring, reporting and auditing procedures to ensure insurance is being sold in the manner expected by both the insurer and the creditor, is suitable to the needs of the consumer, and is in accordance with legislative requirements. This includes ensuring that:

- coercive sales practices are not taking place;
- all disclosure requirements set out in legislation are being met;
- consumers are clearly aware of the voluntary nature of the product;
- controls are in place to mitigate against enrolment of ineligible insureds;
- unauthorized or unlicensed insurance activity is not taking place;
- all product materials are clear, written in plain language, and provide sufficient information on terms and conditions of the contract for the consumer to make an informed choice; and
- all product materials indicate how to contact the insurer for information, clarification, changes and disputes.

Questions

1. Please describe how your company has responded to the oversight and control regime expectations set out above.

2. Explain how you monitor, report and audit CGI distribution and products to ensure third party adherence with the above expectations.

II. Established ongoing training programs for exempt sellers to ensure they have current and appropriate knowledge and understanding of the product offerings and materials being provided to consumers.

In particular, training programs should ensure that exempt sellers are sufficiently trained on eligibility requirements, product features and can identify instances where they should direct consumers to the insurer.

Exempt sellers that have not completed the required training should not be permitted to sell CGI to consumers.

Question

1. Describe your company's training for exempt sellers and detail how the training addresses CGI expectations.

III. Outsourcing agreements with third parties, including distributors and exempt sellers, that clearly define the roles and responsibilities of the third parties and permit the insurers to engage in effective monitoring and oversight of services being provided.

The agreements should be monitored periodically by insurers to ensure third parties are operating within the terms of the agreement and that the terms remain current and relevant. These agreements should include clear termination procedures which can be used in the event any third party does not fulfill the expectation of the insurer.

Insurers are also responsible for ensuring that only authorized or licensed persons, or appropriately exempt persons, are involved in the distribution of CGI.

Questions

1. Describe your company's third-party outsourcing agreement review process, including the department or individual(s) responsible, and the review frequency.

2. Explain how your company ensures that only authorized or licensed persons, or appropriately exempt persons are involved in CGI distribution.

Creditor Involvement in Initiation of CGI

Pursuant to sections 37 and 92 of the *Insurance Act*, all CGI products offered in British Columbia must be effected by the creditor. In order for a creditor to effect a CGI contract, insurance companies must ensure that the creditor plays an active and substantial role in the following areas:

- procurement of the insurance contract;
- product design, including all related forms and materials, to ensure that the product is designed to be suitable to the needs of the creditor's debtors; and
- negotiation of the terms and conditions under which the insurance coverage will be offered to its debtors, including who will be permitted to enrol customers into the CGI program.

Note that a creditor can explicitly assign a third-party agent to undertake the role of effecting a CGI product on its behalf, however the insurer and the creditor retain responsibility for ensuring regulatory expectations are met.

Questions

1. Describe how creditors distributing your company's CGI products are effecting contracts.

2. If the creditor's role has been outsourced to third-party agents, please explain the third-party agents' responsibilities and how you ensure adherence to CGI regulatory expectations.

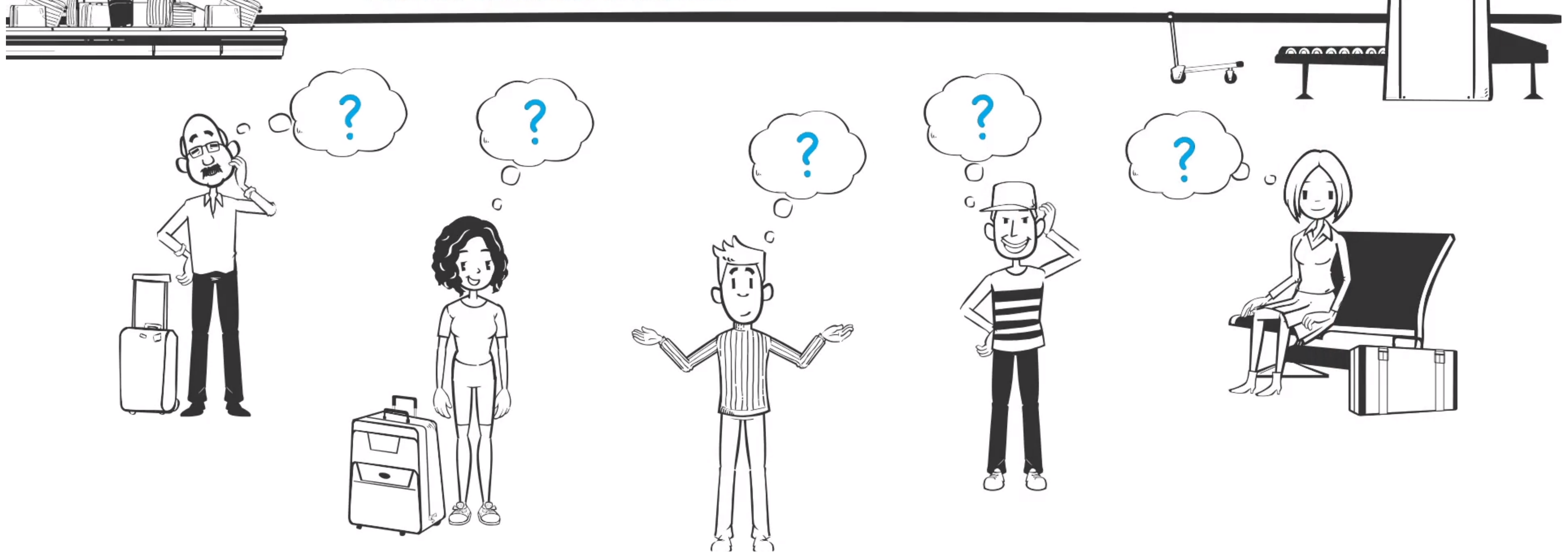
Creditor Group Insurance (CGI) Compliance Follow-up Inquiry Submitted By:

[Name]
[Title]
[Full Legal Name of Insurance Company]
[Address]
[Phone Number]
[Email Address]

__________________________ ________________________
(Signature) (Date)

cafii
The Canadian Association of Financial Institutions in Insurance

pollara



AGENDA

01 Website Performance

02 Organic Performance

03 2019 Program

cafii
The Canadian Association of Financial Institutions in Insurance

SIMPLE

ACCESSIBLE

AFFORDABLE

*Insights will be highlighted using this icon

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

01 Website Performance

Summary

September 1 – December 31, 2018
September 1 – December 31, 2017

Total Sessions

8,002

5,072

2017: 2,930

New Users

4,516

2018: 6,524
2017: 2,008

Page Views

8,850

2018: 17,337
2017: 8,487

Conversions

Contact Form (EN): 27
Contact Form (FR): 0

Phone Clicks: 21
Email Clicks: 8

Organic: 81.8%
Direct: 14.6%
Referral: 3.6%

Organic: Traffic from Search Engines
Direct: Traffic from users who typed in your URL exactly
Referral: Traffic that visits your website by clicking on a link (News, Social)

Annual Summary

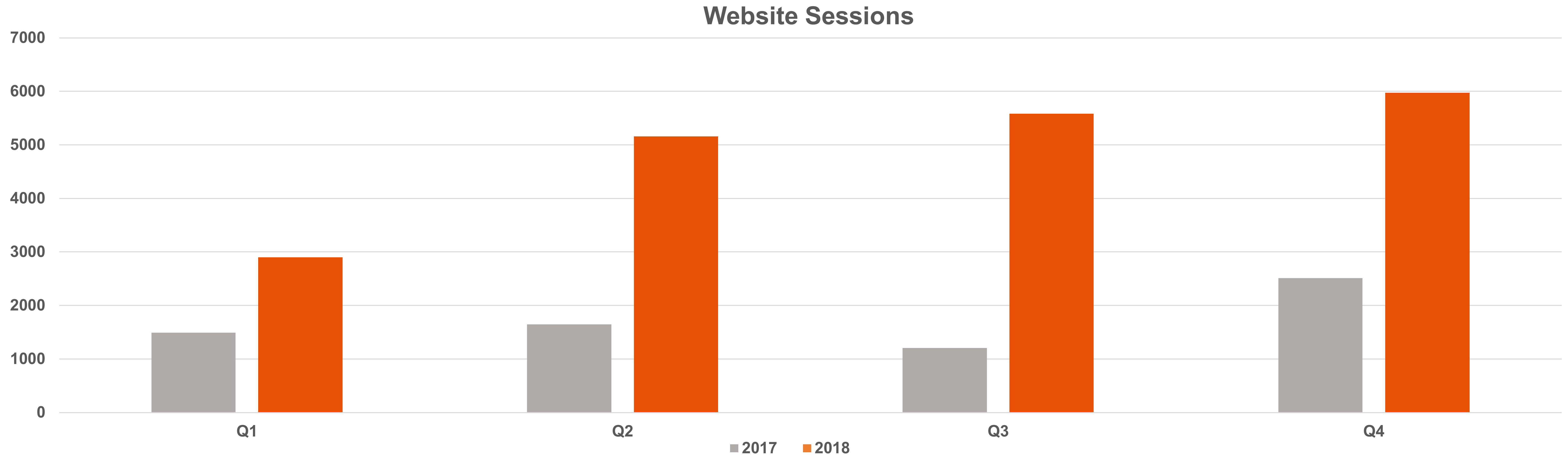
January 1 – December 31, 2018
January 1 – December 31, 2017

Total Sessions

19,612

↑ **12,758**

2017: 6,854



New Users

↑ **10,750**

2018: 15,392
2017: 4,642

Page Views

↑ **24,180**

2018: 44,917
2017: 20,737

2018

Organic: 80.3% (↑16.2%)
Direct: 15.4% (↓ 5.9%)
Referral: 4.1% (↓9.7%)

Behaviour

September 1 – December 31, 2018
January 1 – August 31, 2018

2017

Home Page (100%)

2018

January 1 – August 31

Entry	1st Interaction
Job Loss Insurance (26%)	About (20%)
Home Page (21%)	Contact (12%)
Credit Protection Insurance (18%)	Home (11%)
Life Insurance for Personal Loans (6%)	News (10%)
Other Pages (29%)	Other Pages (48%)

2018

September 1 – December 31

Entry	1st Interaction
Job Loss Insurance (36%)	Contact (15%)
Home Page (19%)	About (14%)
Credit Protection Insurance (12%)	Home (11%)
Life Insurance for Personal Loans (4%)	News (7%)
Other Pages (26%)	Other Pages (53%)

Traffic by Device

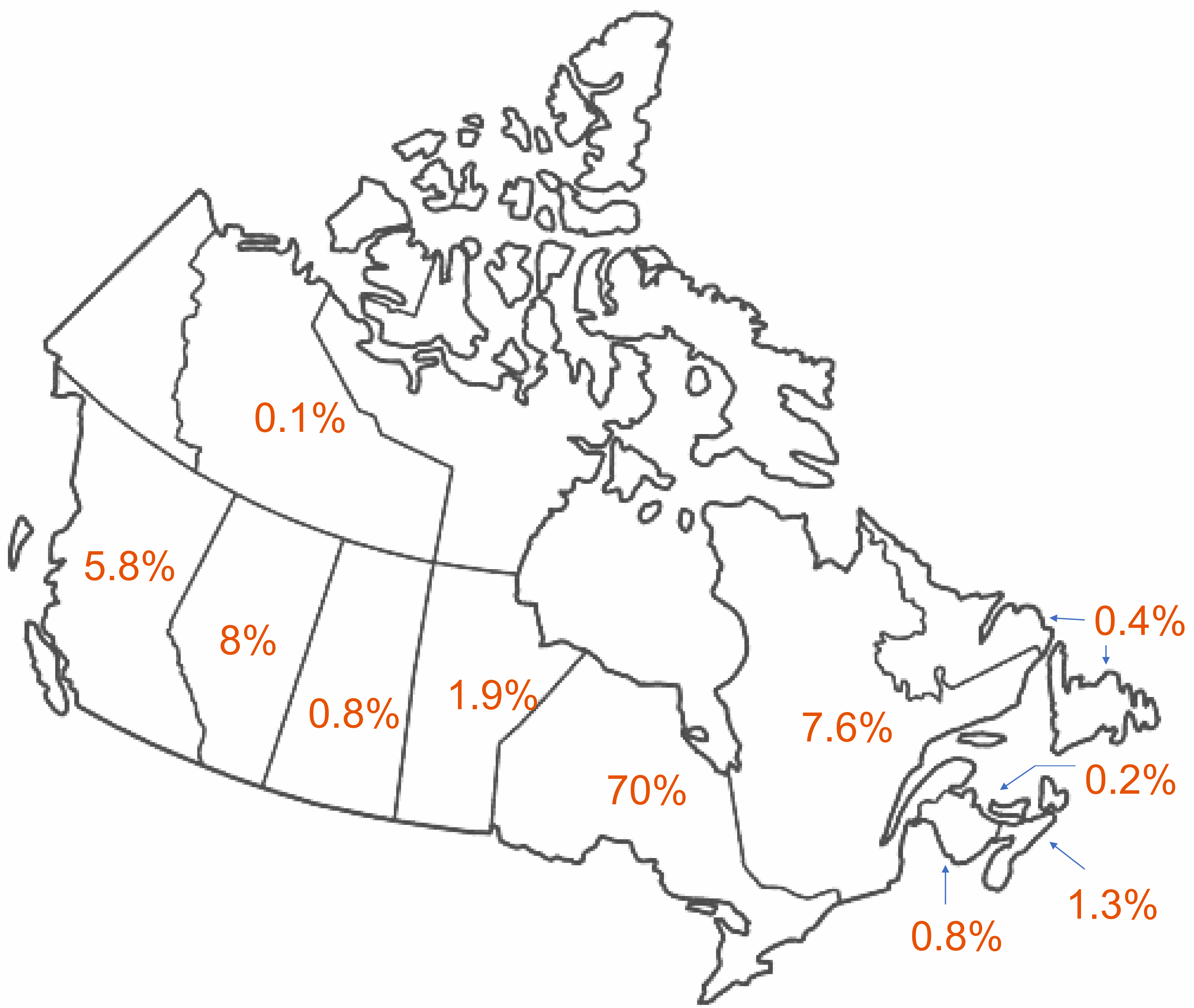
January 1 – August 31, 2018
January 1 – August 31, 2017

	2018 September 1– December 31	2018 January 1 – August 31	2017
Mobile	43%	35%	15%
Desktop	54%	61%	83%
Tablet	3%	4%	2%

Google has officially started prioritizing mobile responsiveness and how users are interacting on websites

Canadian Sessions

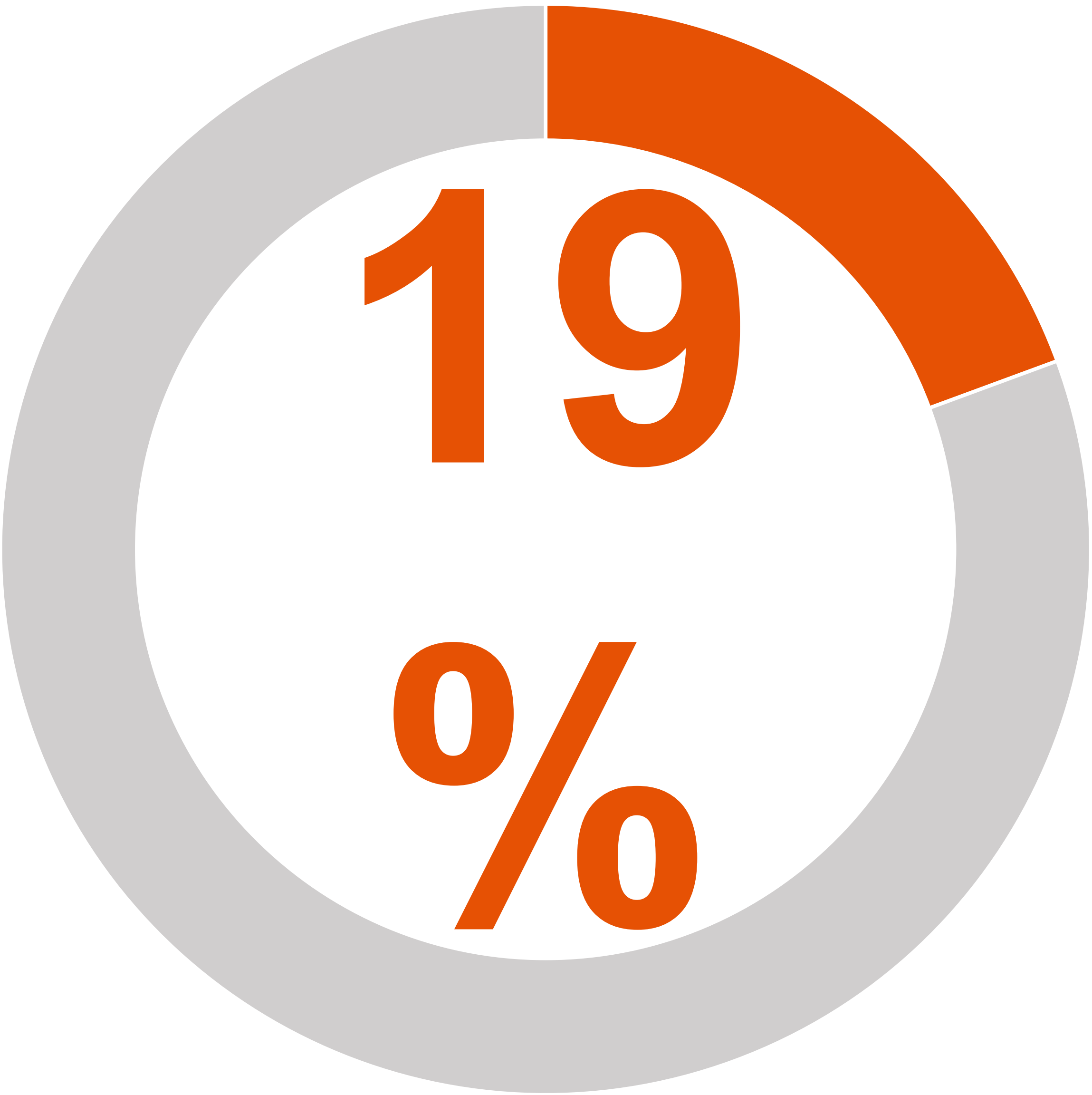
September 1 – December 31, 2018



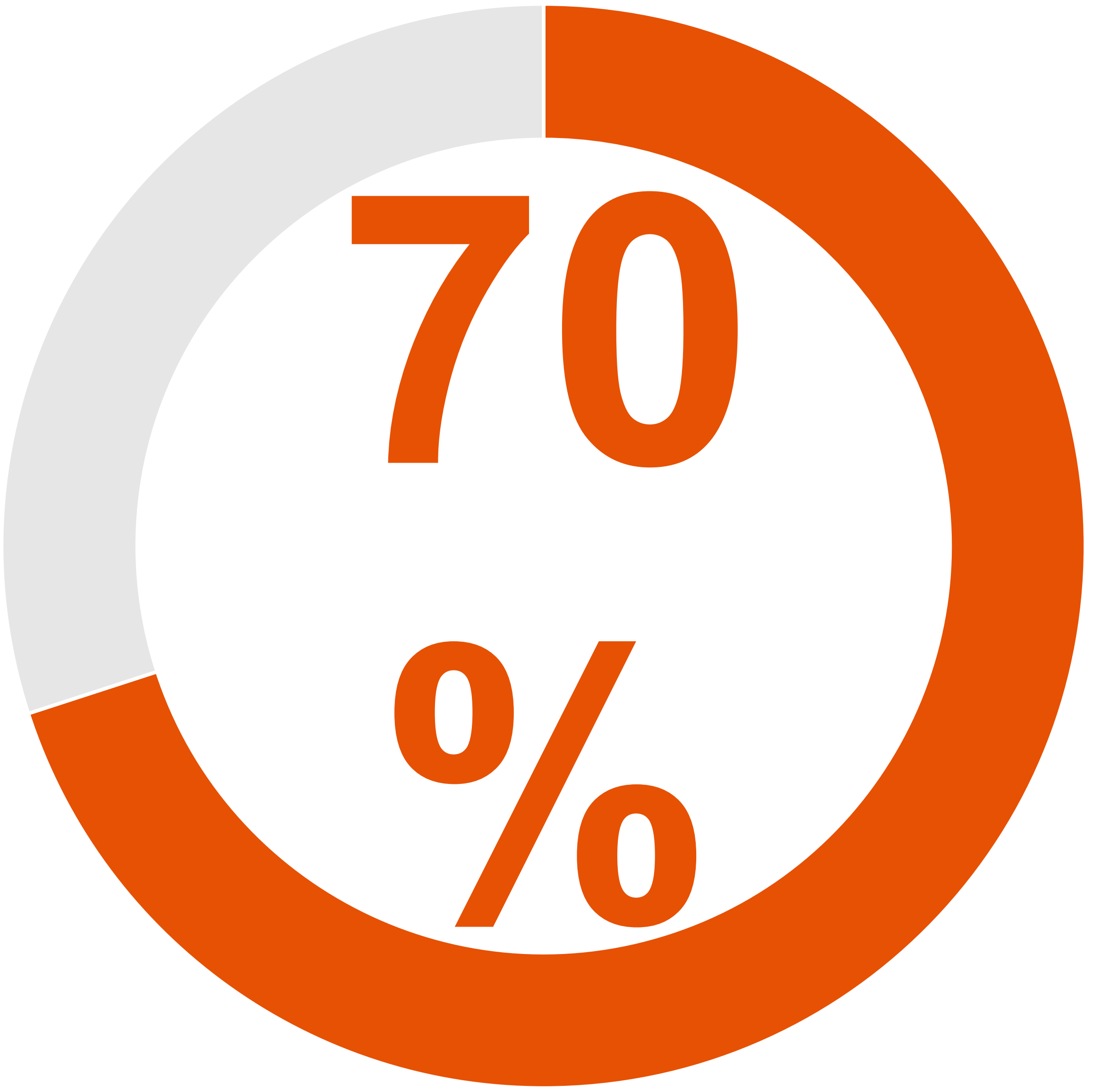
01 | WEBSITE PERFORMANCE

Insights

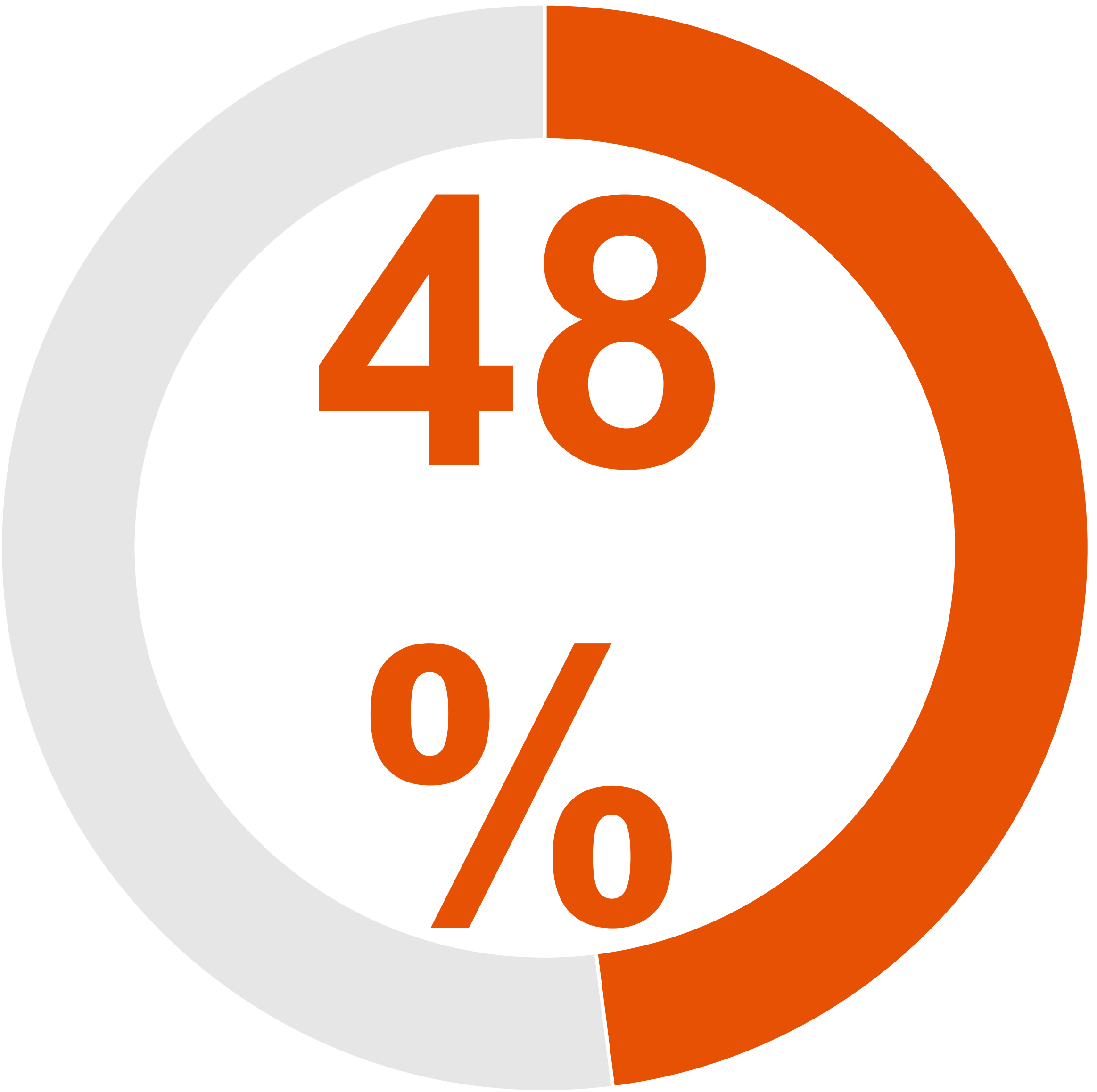
September 1 – December 31, 2018



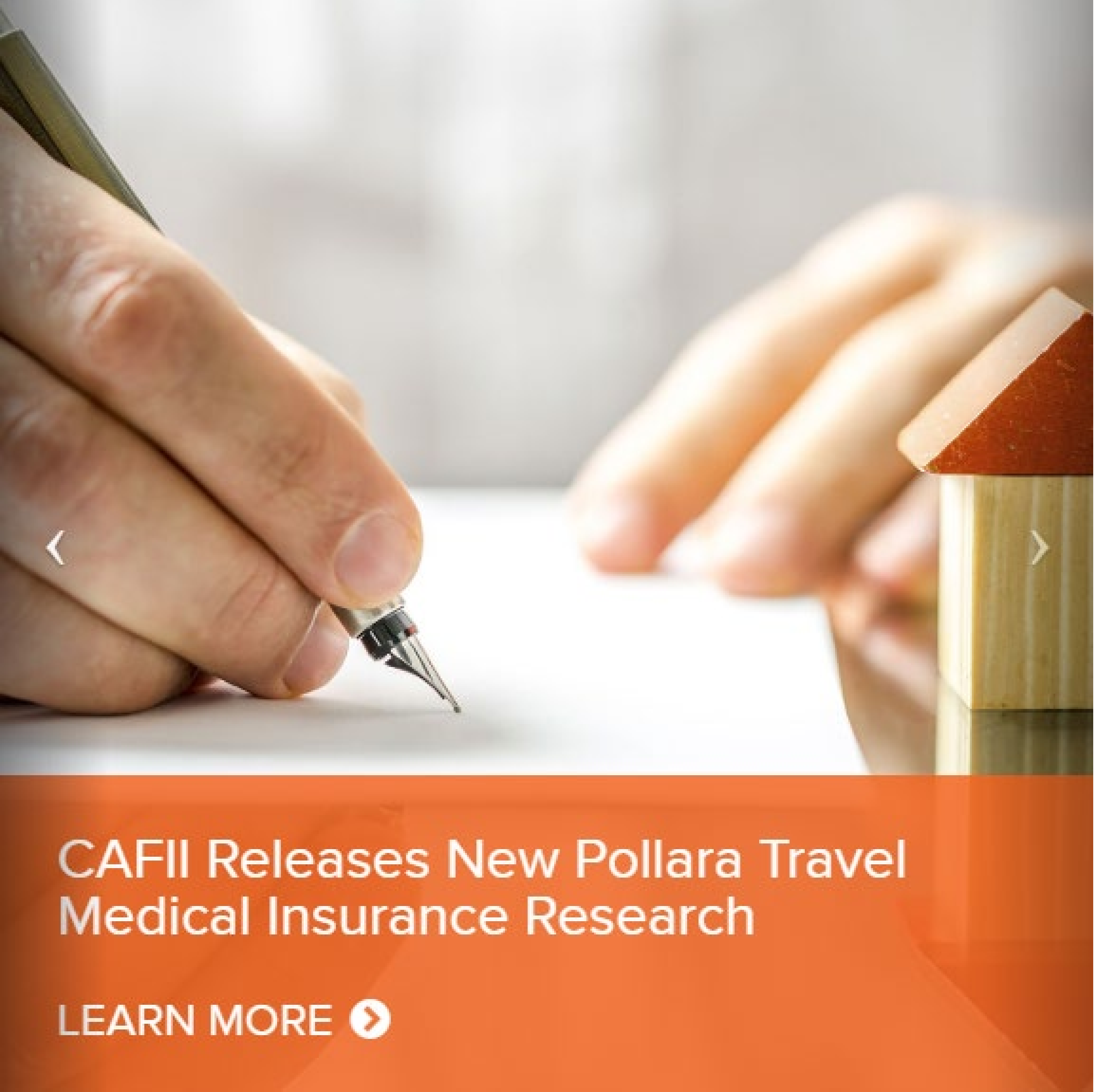
of visitors view more than 1 product.



of all conversions occurred on a mobile device.



of all visitors visit your site during standard business hours.



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02 Organic Performance

Keyword Rankings

December 31, 2018
September 1, 2018

Increased Positioning

89
Tracked Keywords

First Position
11 ⟷ -

First Page
27 ▲ 3

Second Page
33 ▲ 3

8	▲	18	"how does credit card insurance work"
5	▲	11	"what is credit card insurance"
15	▲	25	"credit card insurance benefits"
29	▲	62	"credit card insurance"

Based on Canadian Search Results

Insights

September 1 – December 31, 2018

43% of all pageviews are based on an insurance related product

27 Keywords have improved their position on Google or Bing.

11% of all organic sessions come from Toronto

Keyword: “How does Credit Card Insurance Work”
CAFII Position: 8th on Google
In First Position: Creditcards.com

Keyword: “What is Credit Card Insurance”
CAFII Position: 5th on Google
In First Position: Creditcards.com

Keyword: “Credit Card Insurance”
CAFII Position: 29th
In First Position: ratehub.ca

Page Authority & Domain Authority are scores of out of 100 established by over 300 algorithm ranking factors. Internal & External Links, The age of the website and age of the page are just some of the main factors for keyword ranking.

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03 2019 Program

Summary

1) Product Awareness

3 Video Vignettes

2) Website Engagement

10 Additional Consumer Examples

3) Improve Search Result

5 Key Areas

- Travel Insurance
- Job Loss Insurance
- Mortgage Disability & Critical Illness Insurance
- Disability Insurance for Loans
- Mortgage Disability Insurance

4) Organization Voice

LinkedIn Profile Optimization & Content Posting

5) Organization Credibility

- Membership Badge
- Wikipedia Profile

6) Actionable Insights

Digital Performance Reports: Maintain Bi-Annual Reporting

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ASSOCIATE APPLICATION FORM

Organization Name: PricewaterhouseCoopers LLP

Representative's Name and Title: Allan Buitendag, Partner and Financial Services Leader

Address: 18 York Street, Suite 2600

City: Toronto Province: ON Postal Code: M5J 0B2

Phone - Main: 416-941-8383 Direct:

Fax: Email: allan.c.buitendag@pwc.com

Website: www.pwc.com

Parent Company: N/A

Description & Fees:

I. Associates ☒ $4,800

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

Associate Status is valid from January 1 to December 31 each year.

Signature of Applicant: Date: Feb 22, 2019

As a signing authority, I hereby acknowledge that as an applicant for Associate status in CAFII, my organization supports the Association's mission, objectives, and policy positions. For more information visit www.cafii.com.