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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 27, 2018
Location: Teleconference Only
Chair: P. Thorn
Time: 2:00 – 3:00 p.m. EST
Dial-in: 416-477-0921 / 1-888-543-2249
Pin #: 1500

Agenda

Item		Presenter	Action	Document
1. Call to Order and Welcome to New EOC Member	**2:00 p.m.**	P. Thorn		
2. CAFII Governance	**2:02 p.m.**			
a. Outcomes of CAFII Special Purpose Board Meeting, February 7/18		B. Wycks/K. Martin	Update	
b. Process for Review/Approval of EOC Minutes, Board Minutes, Summary of Board and EOC Action Items Under New Approach for EOC Meetings		B. Wycks	Update	
c. Process for Review/Approval of Manulife Financial Application for CAFII Initiation Membership		B. Wycks	Update	✔
d. Other CAFII Initiation Member, Returning Member, and Associate Prospects		B. Wycks/K. Martin	Update	
e. CAFII Transition to Managing Matters		K. Martin	Update	
f. CAFII Member Perquisite/Benefit Proposal from Insurance-Canada.ca		K. Martin/B. Wycks	Discussion	✔
3. CAFII Financial Management	**2:15 p.m.**	T. Pergola		
a. CAFII Financial Statements as at January 31/18			Approval	✔
b. Process for Review/Approval of CAFII 2017 Draft Audited Financial Statements		B. Wycks	Update	
4. Recent and Upcoming CAFII Regulatory and Strategic Initiatives	**2:20 p.m.**			
a. January 29/18 CAFII Meeting with CCIR Travel Insurance Working Group		B. Wycks	Update	
b. February 21/18 CAFII Meeting with CCIR Fair Treatment of Consumers Working Group; and Ensuing Submission on "Guidance: Conduct of Insurance Business and Fair Treatment of Customers"		B. Wycks/R. Beckford	Update	✔
c. Upcoming March 5/18 CCIR Webinar on Year 2 Changes to Annual Statement on Market Conduct		B. Wycks	Update	
d. Proposed CAFII Response to Manitoba on 'Single Premium' Insurance Products		K. Martin	Update	
e. January 29/18 CAFII/CLHIA Joint Meeting with FSCO on Treating Consumers Fairly (TCF) Guideline		B. Wycks	Update	✔
f. February 1/18 CAFII/CLHIA Joint Meeting With FSCO on Incidental Sales of Insurance (ISI) Questionnaire		B. Wycks	Update	
g. Upcoming February 28/18 CAFII/CLHIA Joint Meeting with FSCO on "Bank-Owned Insurance Company CEO Attestation"		K. Martin	Update	✔
h. Upcoming March 6/18 CAFII Meeting with Financial Services Regulatory Authority of Ontario (FSRA) Founding Board of Directors		B. Wycks	Update	
i. Quebec Bills 141 and 150		K. Martin	Update	
j. CAFII Insurance Regulator and Policy-Maker Liaison Meeting Opportunities at Upcoming CLHIA Conference, May 2-4/18, in Calgary		B. Wycks	Update	
k. Plans for Spring 2018 CAFII Liaison Visits Tour to Atlantic Canada Insurance Regulators and Policy-Makers		B. Wycks	Update	
l. LIMRA/LOMA Canada Annual Conference: June 7/18, Toronto		K. Martin	Update	✔
m. 2018 CAFII Website Initiatives		K. Martin	Update	✔
n. Recent CAFII Media Efforts		K. Martin	Update	✔
o. CAFII Media Awareness & Training Session: March 28/18		K. Martin	Update	✔
p. 2018 Research Options For CAFII		K. Martin/D. Quigley	Update	
q. CAFII/Pollara Consumer Research on Travel Health Insurance		S. Manson/K. Martin	Update	
r. Regulatory Update		K. Martin		✔

Next EOC Meeting: Tuesday, March 27/18, 2:00 – 4:00 p.m., CIBC Insurance, 33 Yonge St., 6th Floor (China Room), Toronto
Next Board Meeting: Tuesday, April 17/18, 3:00 – 5:00 p.m., Leña Restaurante, Sala Dos (Private Boardroom on 2nd floor), 176 Yonge St., Toronto; followed by 5:00 to 7:00 p.m. Reception, Leña Restaurante, Bar Lala (Lower Level Event Space), 176 Yonge St., Toronto

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Agenda item 2(c)
February 27/17 EOC Meeting

From: Brendan Wycks [mailto:brendan.wycks@cafii.com]
Sent: Wednesday, February 21, 2018 5:59 PM
To: 'McCarthy, Peter'
Subject: Great News: Manulife Financial Has Decided To Apply For CAFII "Initiation Membership"

Hi, Peter.

Just want to share with you the great news that Monika Spudas, Director, Account Management, Consumer Markets at Manulife Financial, called me today to advise that her company has decided to apply right away to become a "CAFII Initiation Member," motivated by the opportunity to have a stronger presence and play a larger role within our Association than simply being an Associate supporter; and also motivated by the financial incentive built into the new Initiation Membership category, which the Board approved on February 7/18.

Manulife Financial's corporate family financial assets are well in excess of $75 billion CAD – the demarcation line between the upper and lower tiers of CAFII Member Dues – so if Manulife is admitted to Initiation Membership, that would mean an incremental $44,000 in dues revenue for our Association in each of 2018 and 2019, the two-year period during which the terms and conditions of Initiation Membership would apply.

Then, beginning in 2020, Manulife Financial's status within CAFII would change to that of a full, unqualified Member of the Association paying Member dues at the upper tier level (currently $73,438).

Monika also advised that, should the Initiation Membership review process come to fruition, Wally Thompson, Vice-President, Sales and Marketing will be nominated as the first CAFII Director from Manulife Financial.

<u>Here is a proposed process for expediting the review and approval of Manulife Financial's Initiation Membership Application, for your consideration and feedback (intended to allow Wally Thompson to become a fully functioning CAFII Board member at the upcoming April 17/18 Board meeting):</u>

- By February 28/18: Monika Spudas, Manuife Financial, submits completed CAFII Initiation Membership Application Form (currently being developed by B. Wycks/K. Martin and Managing Matters. The CAFII Initiation Membership Application Form will replace/supercede the former CAFII Membership Application Form, with the terms and conditions of CAFII Initiation Membership being included as an integral appendix to the one-page application form to be completed);

- Week of March 12-16/18: Screening Interview/Dialogue Session between Manulife Financial representatives (Wally Thompson; Monika Spudas; other senior executives) and CAFII Member Applicant Review Committee (the Officers of the Association, as per review committee that met with CUMIS representatives at the time of its application for membership in 2015: Peter McCarty, Board Chair; Pete Thorn, EOC Chair; Tony Pergola, Treasurer; Keith Martin, Co-Executive Director; Brendan Wycks, Co-Executive Director);

- Between Monday, March 19 and Thursday, March 28/18:

-CAFII Member Applicant Review Committee makes recommendation to Board of Directors on Manulife Financial's Application for CAFII Initiation Membership;

-CAFII sends out electronic communication to 10 CAFII Directors for "Electronic Vote of the CAFII Board On Motion To Admit Manulife Financial As A CAFII Initiation Member For 2018 and 2019" (an electronic vote of the Board is permitted, under specified conditions, by CAFII's Bylaw; and the Association has held such electronic voting (no related meeting required) on single issue matters on one or two occasions over the past five years);

-result of "Electronic Vote of the CAFII Board On Motion To Admit Manulife Financial As A CAFII Initiation Member For 2018 and 2019" is communicated to CAFII Board and EOC members, and to Manulife Financial;

-if result of vote is affirmative, Wally Thompson is invited to attend April 17/18 CAFII Board of Directors' meeting for formal appointment as a CAFII Director; and full participation as a Director thereafter;

-if result of vote is affirmative, Manulife Financial is invited to appoint one or member representatives to the CAFII Executive Operations Committee; and

-CAFII invoices Manulife Financial for first of two semi-annual instalments totaling $44,000 in 2018 Initiation Member dues (if $4800 in 2018 Associate dues have already been paid by Manulife Financial, that amount will be credited against the Initiation Member dues).

P.S.
Keith and I have also made good progress on CAFII Initiation Member talks/proposals with HSBC and Canada Life Assurance, and are optimistic about equally favourable outcomes with them.

And if the Board approves OneMain Solutions Canada for CAFII Associate Status at the next Board meeting on April 17/18, OneMain Solutions has indicated that it would like to give serious consideration to applying for Initiation Membership.

In contrast, Laurentian Bank (LBI) is being somewhat standoffish about the prospect of CAFII Initiation Membership at this time.

Brendan Wycks, BA, MBA, CAE
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Canadian Association of Financial Institutions in Insurance
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Agenda item 2(c)
February 27/17 EOC Meeting

From: Ally Cunliffe [mailto:Ally.Cunliffe@insurance-canada.ca]
Sent: Wednesday, February 14, 2018 2:01 PM
To: keith.martin@cafii.com; brendan.wycks@cafii.com
Subject: CAFII / Insurance-Canada.ca

Hi Brendan and Keith,

Thanks so much for meeting with myself and Gerald Legrove, CEO of DGA Careers, last week. Sorry for the delay in getting this to you.

I wanted to send you the website for the Technology Conference coming up on Feb 27 and 28th at the Beanfield Centre in Toronto.

As discussed at our meeting, we would be able to offer CAFII members a 25% discount to this event, bringing the ticket price to $800 +HST (regular price $1075+HST). Each CAFII member could circulate this discount code within their companies where appropriate, and we could offer this discount for up to 10 people per member company.

As you noted at our meeting, you would need to get approval for this from your board in order to circulate this opportunity, which doesn't meet again until close to the event date, so we can definitely make this opportunity available to you and your members now on a by-request basis, but it might also make sense to have similar agreements in place for our other upcoming events, which I'd be happy to discuss as well.

Let me know if you'd like to chat further about this on the phone.

Thanks again and look forward to hearing back!

Best,
Ally Cunliffe - Manager, Events and Partnerships

"Canada's Leading Web Resource Centre for Consumers and Insurance Professionals"
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16TH ANNUAL

Insurance-Canada.ca

Technology CONFERENCE

Insurance Vectors at Play: Risk, Technology, Engagement

Insurance is undergoing fundamental changes, driven by three insurance vectors:

Rapidly emerging risks: Smart Homes, Internet of Things, Cyber Risk, Autonomous vehicles - are creating new risks and new opportunities

Customer Engagement is much more than a slogan. New technologies are emerging to detail client preferences and dramatically improve sales

Digital Technologies are replacing expensive, low-value manual tasks, offering real-time results, and providing opportunities for personalized value-added benefits

One thing is clear: *This is not insurance as usual*

Join us at ICTC 2018 to explore the spectrum of opportunities in the changing world of insurance

Tuesday, February 27 – Wednesday, February 28, 2018

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16TH ANNUAL Insurance-Canada.ca Technology CONFERENCE

Tuesday, February 27 – Wednesday, February 28, 2018
BEANFIELD CENTRE, TORONTO

Leading insurers, brokers, and suppliers are mapping out the next steps in utilizing digital insurance. The ICTC 2018 agenda will address the questions "Where are We?" and "What's Next?"

KEYNOTE: Technology Trends to Further Disrupt the Insurance Landscape in 2018
Andrew Lo, CEO,Kanetix, Ltd.
with Craig Haney, Director, Communitech
2018 pushes the envelope further, delivering the next level of customer engagement.

Extreme Weather Risk In Canada: The Time To Act Was Yesterday
Dr. Blair Feltmate, Head, Intact Centre on Climate Adaptation, University of Waterloo
Dr. Blair describes the threat of climate change to insurers and discusses de-risking through adaptation.

AI: What's Your Plan?
Mike Fitzgerald, Senior Analyst, Celent and
Eric Weisburg, VP, Novarica
Experts explore critical areas including AI opportunities, the competitive landscape, and IT/Business alignment.

Case Studies - Evolution of AI and its use in Insurance
Lawrence Wong, Director, Munich Re Canada
Munich Re discusses AI use cases and pilots: sales, smart claims, and automated underwriting.

How to Train your A.I.
Steve Holder, Strategy Lead - Analytic Ecosystems, SAS
AI is not a silver bullet. This session will describe steps required to build out intelligent machine systems.

Rapid Advancement of Drone Technology in the Insurance Industry
Michael Cohen, President & CEO, Industrial Skyworks Inc.
AI and Aerial Robotics combined are changing the way insurance professionals approach onsite data.

Today's Reality and the Path Ahead for Insurance-Panel
MODERATOR: **Mark Breading, Partner, Strategy Meets Action**
Experts discuss personalized communications through analytics, reality of omni-channel, and future positioning with InsurTech.

Looking Ahead: Broker-Insurer Connectivity
MODERATOR: **Colin Simpson, CEO, Insurance Brokers Association of Ontario**
Insurance connectivity has been hampered in the past, but insurers and brokers are working to implement new solutions.

Winning Through Partnerships
Marc Lipman, COO, AIG Insurance Company of Canada
Dave Kruis, Director, FairVentures
This session will explore various partnership models which can leverage the agility and innovation that startups bring to the table.

KEYNOTE: Millennials Driving Consumer and Insurance Markets
David Coletto, CEO & Founding Partner, Abacus Data
Insights on this powerful consumer group which is fundamentally shifting markets.

Deep Dive: The Future of Automobiles and Insurance
Gwenn Bézard, Co-Founder and Research Director, Aite Group
Catherine Kargas, Vice President, MARCON
Cletus Nunes, Sr. Sales Director, Octo Telematics (North America)
MODERATOR: **Ryan Stein, Director of Policy, Insurance Bureau of Canada**
Three experts will describe elements driving the next generation of mobility. A panel follows, vetting conclusions and addressing your questions.

Blockchain: Is It the Future of Insurance Technology?
Iliana Oris Valiente, Global Blockchain Innovation Lead, Accenture
One of Canada's leading experts in blockchain will explore its uses and what this innovation means for the future of industry. Industry Panel follows.

Focused Differentiation Through Data Science, Lean Start-Up & Digital Ecosystems
Hashmat Rohian, Senior Director The Co-operators Group Ltd.
Hashmat will explain this next wave in digital business and highlight the foundational capabilities required to enable it.

Connected Customers Matter ... Do Brokers?
Phil Henville, Head of Canadian Operations, Hubio
Digital communications are changing workflows. Learn how new processes can ensure superior service for customers and brokers.

Digital Transformation for Enhanced Customer Experience
Tim Currie, Senior Vice President, Navigators Insurance
Stephanie Inglis, Vice President Professional Services, Goose Digital
Navigator will describe impacts on the business driven by new digital technologies and tools.

Delivering a Next-Gen Experience to the Next-Gen Applicant
Samir Ahmed, Principal & Sr. Architect, X by 2
Carriers continue to lag in fully utilizing digitization. This session will provide actionable takeaways to improve success ratios.

By Popular Demand - Innovation Showcase: Startup Pitches
This "show and tell" session will feature innovative startups in the insurance space, with features ranging from AI for fraud detection to robo-advisors, to on-demand travel insurance.

....and more!

Visit www.insurance-canada.ca/ictc for more information and to register.

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Balance Sheet

As at January 31, 2018

ASSETS	31-Jan 2018	31-Dec 2017
Current Assets		
Bank Balance	$123,809	$192,706
Investments	$0	$0
Accounts Receivable	$50,699	$0
Interest Receivable	$0	$0
Prepaid Expenses	$20,129	$36,031
Computer/Office Equipment	$8,014	$8,014
Accumulated Depreciation -Comp/Equp	($3,564)	($3,469)
Intangible Assets-Trademarks	$0	$0
Accumulated Amortization-Trademark	$0	$0
Total Current Assets	**$199,087**	**$233,281**
TOTAL ASSETS	**$199,087**	**$233,281**
LIABILITIES		
Current Liabilities		
Accrued Liabilities	$17,000	$17,000
Account Payable [B]	$12,226	$37,765
Deferred Revenue	$0	$0
Total Current liabilities	$29,226	$54,765
TOTAL LIABILITIES	**$29,226**	**$54,765**
UNRESTRICTED NET ASSETS		
Unrestricted Net Assets, beginning of year	$178,516	$380,758
Excess of revenue over expenses	($8,655)	($202,242)
Total Unrestricted Net Assets	$169,861	$178,516
Total Unrestricted Net Assets	**$169,861**	**$178,516**
TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS	**$199,088**	**$233,281**

Financial Reserves Targets as per 2017 Budget:	
Minimum 3 months (25%) of Annual Operating Expenses=	**$ 174,518**
Maximum 6 months (50%) of Annual Operating Expenses=	**$ 349,035**
Current Level of Financial Reserves (total unrestricted net assets)**:**	**$169,861**
Current Level of Financials Reserve (%):	**24%**

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Balance Sheet Items
As at January 31, 2018

Item B

Accounts Payable	Total	Current	31 to 60	61 to 90
A&B Courier	20.67	20.67		
Accutel Inc.	80.81	80.81		
Brendan Wycks	1,517.43	1,517.43		
Managing Matters Inc.	6,841.02	6,841.02		
S2C Inc.	3,766.29	3,766.29		
Total outstanding:	**12,226.22**	**12,226.22**	**0.00**	**0.00**

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Statement of Operations
As at January 31, 2018

	Current Month	Current YTD	Budget 2018	Variance Budget to YTD
Revenue				
Membership Fees	$50,699	$50,699	608,385	557,686
Interest Revenue	$0	$0	200	200
TOTAL REVENUE	**$50,699**	**$50,699**	**608,585**	**557,886**
Expenses				
Management Fees	$48,721	$48,721	455,000	406,279
CAFII Legal Fees/Corporate Governan	$0	$0	5,000	5,000
Audit Fees	$0	$0	14,600	14,600
Insurance	$437	$437	5,500	5,064
Website (incl translation)	$556	$556	14,000	13,564
Website SEO and Enhancements	$0	$0	14,220	13,664
Telephone/Fax/Internet	$137	$137	5,800	5,800
Postage/Courier	$21	$21	400	263
Office Expenses	$4	$4	2,000	1,979
Bank Charges	$0	$0	50	46
Miscellaneous Expenses	$0	$0	500	500
Amortization Expense	$0	$0	-	-
Depreciation Computer/Office Equipm	$95	$95	1,200	1,200
Board/EOC/AGM				
Annual Members Lunch	$0	$0	10,000	10,000
Board Hosting (External)	$0	$0	15,000	15,000
Board/EOC/Meeting Expenses	$2,701	$2,701	26,000	23,299
Industry Events	$0	$0	1,000	1,000
EOC Annual Appreciation Dinner	$0	$0	800	800
Sub Total Board/EOC/AGM	***52,671***	***52,671***	***52,800***	***129***
				-
Provincial Regulatory Visits	$0	$0	12,000	12,000
Research/Studies	$2,917	$17,500	52,500	35,000
Regulatory Model(s)	$0	$0	27,000	27,000
Federal Financial Reform	$0	$0	500	500
Media Outreach	$3,766	$3,766	30,000	26,234
Marketing Collateral	$0	$0	2,000	2,000
Tactical Communications Strategy	$0	$0	-	-
Media Relations, CAFII Consultant	$0	$0	-	-
Networking Events	$0	$0		-
				-
Speaker fees & travel	$0	$0	2,000	2,000
Gifts	$0	$0	500	500
Networking Events	$0	$0	500	500
Sub Total Networking & Events	***-***	***-***	***3,000***	***3,000***
TOTAL EXPENSE	**59,354**	**73,937**	**698,070**	**623,791**
NET INCOME	**- 8,655**	**- 23,238**	**- 89,485**	**- 65,905**

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

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Membership Fees
As At Jan 31, 2018

	Feb-18 To be billed	Received	Jul-18 To be billed	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		$ 36,719.00	
TD Insurance	$ 36,719.00		$ 36,719.00	
Desjardins Financial Security Life Assurance Company	$ 18,360.00		$ 18,359.00	
AMEX Bank of Canada	$ 18,360.00		$ 18,359.00	
Assurant Solutions	$ 18,360.00		$ 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	
Willis Towers Watson	$ 4,800.00			
RSM Canada Actuarial Services	$ 4,800.00			
KPMG LLP	$ 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			
The Canada Life Assurance Company	$ 4,800.00			
DGA Careers Inc.	$ 4,800.00			
AXA Assistance Canada	$ 4,800.00	26-Feb-18		
Torys LLP	$ 4,800.00	23-Feb-18		
Manulife	$ 4,800.00			
OneMain Solutions Canada (Not Yet Board Approved)	$ 4,800.00			
Feb Invoices	**$332,995**		**$275,390**	
July Invoices	**$275,390**			
Total Membership Fees	**$608,385**			
Total amount to realocate monthly Jan-Sept	**$ 50,699**			
Total amount to realocate monthly Oct-Dec	**$ 50,699**			

January

01/01/2018	TO Corporate Services	1880	9,453.78
01/10/2018	Diane Quigley	1869	1,947.99
01/12/2018	Accutel Inc.	1870	10.43
01/12/2018	S2C	1871	3,766.29
01/12/2018	Seare Araya	1872	355.77
01/12/2018	Arcadian Loft	1873	2,000.00
01/15/2018	Shawna Sykes	1875	1,088.44
01/15/2018	TO Corporate Services	1881	159.92
01/16/2018	Fasken Martineau DuMoulin LLP	1884	16,957.91
01/18/2018	Blaney McMurtry LLP	1876	219.22
01/18/2018	RankHigher.ca	1885	473.81
01/22/2018	Brendan Wycks	1886	269.00
01/22/2018	Keith Martin	1887	1,062.47
01/24/2018	Caroline Bucksbaum	1888	35.00
01/24/2018	Translation Agency of Ontario	1889	386.80
01/31/2018	Keith Martin	1890	1,152.37
01/30/2018	Seare Araya	1891	169.43
			39,508.63

GUIDANCE
CONDUCT OF INSURANCE BUSINESS AND FAIR TREATMENT OF CUSTOMERS

TABLE OF CONTENTS

Preamble

In Canada, the conduct of business in insurance is the exclusive authority of the provinces and territories. Each jurisdiction has its own regulatory approach for the conduct of business, based on its unique culture, traditions and legal regime.

However, despite these differences, regulators within each jurisdiction have a common set of expectations pertaining to the conduct of business to ensure the fair treatment of customers. With respect to these expectations, jurisdictions that already have or plan to develop a framework based on this guidance, shall ensure coherence with the latter.

This guidance sets out the Canadian Council of Insurance Regulators ("CCIR") members' vision, including their expectations, relating to conduct of insurance business and fair treatment of customers.

The CCIR provides this guidance to support insurers and intermediaries in achieving fair treatment of customers, strengthen public trust and consumer confidence in the Canadian insurance sector, minimize the risk of insurers and intermediaries following business models that are unsustainable or pose reputational risk and support a sound and resilient insurance sector. The guidance is based on Insurance Core Principles of the International Association of Insurance Supervisors ("IAIS").[1]

Expectations for the conduct of insurance business may differ depending on the nature of the customer with whom industry participants interact, the type of insurance provided and the distribution strategy.

The guidance provides insurers and distribution firms with the necessary latitude to determine the requisite strategies, policies, processes, procedures and controls that apply to the offer of insurance products and services to customers, in order to facilitate achieving such results and to apply them based on the nature, size and complexity of their activities.

Supervision of the Conduct of Business of Insurance

Through the CCIR, all jurisdictions have a framework for information sharing and cooperative market conduct supervision to address conduct of business issues arising across jurisdictions (Framework for Cooperative Market Conduct Supervision).

In assessing conduct of business in insurance, regulatory authorities consider industry-wide as well as insurer/intermediary-specific activities against these customer outcomes. Effective assessment of the quality of conduct of business in insurance requires, to a large extent, supervisory consideration of strategies, policies, processes, procedures and controls that apply to the offer of insurance products and services to customers, which are more easily assessed through supervision of insurers and intermediaries. Thus, regulatory authorities monitor whether such policies and procedures are adhered to.

1 International Association of Insurance Supervisors, Insurance Core Principles, ICP 19 updated November 2017

Effective assessment of the quality of conduct of business of insurers and intermediaries also requires supervisory considerations of the customer outcomes that are being achieved industry-wide as well as firm-specific.

Scope

In order to promote the fair treatment of customers to insurance industry participants, this guidance applies to insurers and intermediaries. It does not apply to insurers only engaged in reinsurance. For the purpose hereof, use of “intermediaries” refers to individuals (agents and representatives) or distribution firms[2] authorized[3] to distribute insurance products and services.

The insurer is responsible for fair treatment of customers throughout the life-cycle of the insurance product, as it is the insurer that is the ultimate risk carrier. In the provision of products and services, insurers should, upon first contact with customers, make a commitment to them and hold it throughout the life-cycle of the product.

Intermediaries typically play a significant role in insurance distribution, but may also be involved in other areas. Their interactions with both customers and insurers give them a key role, and their conduct in performing the services in which they are involved is critical in building and justifying public trust and confidence in the insurance sector.

Where more than one party is involved in the design, marketing, distribution and policy servicing of insurance products, treating customers fairly in respect of the relevant services is a responsibility that is shared amongst involved insurers and intermediaries.

Some distribution firms do not have direct contact with the customer but act with other intermediaries to place business with insurers (such as wholesale intermediaries). Even though they do not necessarily deal directly with the purchaser of insurance, they perform a function in the chain of soliciting, negotiating or selling insurance and are therefore considered intermediaries.

Some distribution firms have a specific role of compliance and supervision over other firms and insurers outsource to them some functions, activities or processes. They hold at least one direct brokerage contract with insurance companies and are called “agent firms”.

Distribution firms may deal with any number of insurers either directly or through any number of agent firms. They should collaborate with insurers and agent firms, as the case may be, in order to achieve fair treatment of customers.

As individuals, agents and representatives must respect their regulatory obligations, codes of conduct/ethics of insurers and distribution firms. They must maintain an appropriate level of professional knowledge and experience, integrity and competence and collaborate with insurers and distribution firms with which they work to achieve fair treatment of customers.

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2 As the case may be, the term «distribution firm» includes sole proprietorships.

3 In Canada, intermediaries that are subject to licensing and supervision may vary from jurisdiction to jurisdiction. This guidance applies to all intermediaries that are authorized to do business within any jurisdiction.

Conduct of Business[4]

In the field of insurance, conduct of business encompasses industry-wide as well as insurer/intermediary specific activities with customers.

Sound conduct of business includes treating customers fairly throughout the life-cycle of the insurance product. This cycle begins with product design and runs until all obligations under the contract are fulfilled.

In their conduct of the business of insurance, insurers and intermediaries are expected to:

- act with due skill, care and diligence when dealing with customers;
- maintain good and sound relationships between themselves and with the regulatory authorities;
- establish and implement policies and procedures on fair treatment of customer, as integral parts of their business culture;
- act in compliance with the laws, regulations and guidelines to which they are subject;
- promote products and services in a clear, fair and not misleading manner;
- provide customers with timely, clear and adequate pre-contractual and contractual information;
- take into account customer's disclosed circumstances when customers receive advice before concluding insurance contracts;
- avoid or properly manage any potential conflicts of interest, before concluding an insurance contract;
- handle complaints in a timely and fair manner;
- have and utilize appropriate policies and procedures for the protection and use of customer information; and
- have contractual arrangements between each other, that ensure fair treatment of customers.

Moreover, insurers are expected to:

- take into account the interests of different types of consumers when developing and distributing insurance products;
- service policies appropriately throughout the life-cycle of the product;
- disclose information on any contractual changes occurring during the lifecycle of the contract to the policyholder;
- disclose further relevant information depending on the type of insurance product to the policyholder; and

[4] Where an insurer or a distribution firm are part of an insurance group, the application of appropriate policies and procedures on conduct of business should be consistent across the group, recognizing local specificities, and should result in fair treatment of customers on a group-wide basis.

- handle claims in a timely and fair manner.

Although ongoing policy servicing is traditionally seen as primarily the responsibility of the insurer, intermediaries are often involved, particularly where there is an ongoing relationship between the customer and the intermediary. In such a case, the insurer remains ultimately responsible for servicing policies throughout their life-cycle, and ensuring that intermediaries have appropriate policies and procedures in place in respect of the policy servicing activities performed on the insurer's behalf.

Fair Treatment of Customers

Fair treatment of customers encompasses concepts such as ethical behavior, acting in good faith and the prohibition of abusive practices.

Ensuring fair treatment of customers encompasses achieving outcomes such as:

- developing, marketing and selling products in a way that pays due regard to the interests of customers;
- providing customers with accurate, clear, non-misleading and sufficient information before, during and after the point of sale, which will allow them to make informed decisions;
- minimizing the risk of sales which are not appropriate to the customers' needs;
- ensuring that any advice given is of a high quality;
- dealing with customer claims, complaints and disputes in a fair and timely manner; and
- protecting the privacy of customer information.

Corporate Culture

Corporate culture refers to the common values (e.g., ethics and integrity) and standards that define an organization and influence the mindset, conduct and actions of its entire staff as well as all aspects of decision-making, from strategic decisions to those made by customer-facing employees on a daily basis.

Establishing a customer-centric culture creates an environment that fosters consumer confidence and long-term customer relationships, rather than focusing on short-term financial goals that could cause serious harm to customers and damage the organization's reputation to the point of having an adverse impact on profitability.

A corporate culture that seeks to achieve meaningful results, particularly regarding the fair treatment of customers, should help meet the following objectives:

- The organization understands the importance of placing clients at the center of its concerns: strategic decisions, daily conduct and results clearly demonstrate that customers and market integrity are real priorities for the organization.
- All levels of the organization embrace the corporate culture and recognize the risks that could hinder the achievement of expected results regarding the fair treatment of customers as well as the means to mitigate such risks.
- The organization understands the importance of reporting the achievement of expected results throughout the organization and to market participants, using indicators in terms of fair treatment of customers that are measured, monitored and driven by a cycle of continuous improvement.

Relationships between Insurers and Intermediaries

In managing their relationships with intermediaries, insurers are expected to:

- have effective systems and controls in place and communicate clear strategies for selecting, appointing and managing arrangements as part of their overall distribution plan;
- conduct due diligence in the selection of intermediaries to ensure that they are authorized and have the appropriate knowledge and ability to conduct insurance business and, for distribution firms, have appropriate governance policies and procedures with respect to fair treatment of customers;
- have written agreements in place to clearly define the conditions, scope and limits of contracted services, clarify roles and promote the fair treatment of customers. Such agreements would include, where relevant, respective responsibilities on matters such as:
    - product development;
    - product promotion;
    - the provision of pre-contractual and point of sale information to customers;
    - post-sale policy servicing;
    - claims notification and handling;
    - complaints notification and handling;
    - management information and other documentation required by the insurer;
    - remedial measures; and
    - any other matters related to the relationship with customers.
- manage contracts, once in place, to ensure that intermediaries continue to be authorized and remain suitable to do business with them and are in compliance with their contract conditions;
- be satisfied that the involved intermediaries are providing information to customers in such a manner that will assist them in making an informed decision; and
- analyze complaints concerning intermediaries in respect of products distributed by intermediaries on their behalf, to enable them to assess the complete customer experience and identify any issues to be addressed.

Relationships with Regulatory Authorities

With regard to regulatory authorities, insurers and distribution firms are expected to:

- make available their strategies, policies and procedures dealing with the fair treatment of customers; and
- implement the necessary mechanisms to promptly advise regulatory authorities if they are likely to sustain serious harm due to a major operational incident that could jeopardize the interests or rights of customers and the organization's reputation.

Moreover, insurers are expected to communicate and report to the regulatory authorities any intermediaries with which they have transacted and may be unsuitable or not duly authorized, all of which would have the undesirable result of impairing fair treatment of customers.

This may include:

- identifying whether particular intermediaries or particular matters are subject to regular or frequent complaints; and
- report to the regulator recurring issues relevant to the regulator's assessment of the concerned intermediaries.

Customers outcomes and expectations

This section outlines the customers' outcomes that CCIR expects to be achieved by insurers and intermediaries, as the case may be, and enunciates CCIR's expectations to achieve those outcomes.

Governance and Corporate Culture

CCIR expects that fair treatment of customers be a core component of governance and corporate culture of insurers and distribution firms.

Incorporating a fair treatment of customer's culture requires the involvement of all the organization's levels and processes, from strategic planning to decision-making and governance structures to operations.

<u>Expectations to achieve this outcome (insurers and distribution firms)</u>

- Overall responsibility for fair treatment of customers is at the level of the board and senior management, who design, implement and monitor adherence to policies and procedures aimed at ensuring that customers are treated fairly.

- Management information includes the most useful information and indicators to allow the board and senior management to:

  - assess the organization's performance with respect to fair treatment of customers;
  - react, in a timely manner, to changes or risks likely to have a negative impact on the organization's customers; and
  - demonstrate that fair treatment of customers is part of the organization's corporate culture.

- Mechanisms and controls are established to identify and deal with any departure from the organization's strategies, policies and procedures, any conflicts of interest or any other situation likely to interfere with fair treatment of customers.
- Appropriate measures are taken to ensure that their employees and others meet high standards of ethics and integrity, beginning at recruitment.
- Relevant staff is trained to deliver appropriate outcomes in terms of fair treatment of customers.
- Remuneration, reward strategies and evaluation of performance are taken into account when determining the contribution made to achieving outcomes in terms of fair treatment of customers.

Conflicts of Interest

CCIR expects that any potential or actual conflicts of interest be avoided or properly managed and not affect the fair treatment of customers.

In their dealings either with each other or with customers, insurers and intermediaries may encounter conflicts of interest. As intermediaries interact with both customers and insurers, they may be more likely to encounter potential or actual conflicts of interests. Where conflicting interests compete with duties of care owed to customers, they may create risks that insurers, intermediaries or any person acting on their behalf will not act to support the fair treatment of customers.

Examples of Conflicts of interest that may arise:

- from compensation structures, performance targets or performance management criteria that are insufficiently linked to customer outcomes;
- from inducements offered to an insurer or intermediary or any person acting on its behalf, incentivizing that firm/person to adopt a particular course of action; and
- where the intermediary or insurer owes a duty to two or more customers in respect of the same or related matters or, has interest in the outcome of a service or a transaction carried out on behalf of a customer or, has significant influence over the customer's decision.

These situations may encourage behaviors that result in unsuitable sales, have a detrimental impact on the quality of the service provided or otherwise breach the insurer's or intermediary's duty of care towards the customer. They also may affect the independence of advice given by intermediaries.

<u>Expectations to achieve this outcome (insurers and intermediaries)</u>

- Take all reasonable steps to identify and avoid or manage conflicts of interest, and communicate these through appropriate policies and procedures.
- Ensure that the disclosure of conflicts of interest is used appropriately and does not put an unreasonable onus on the customer, especially if the customer does not fully appreciate the conflict or its implications.
- Where conflicts of interest cannot be managed satisfactorily, this results in the insurer or intermediary declining to act.

Outsourcing

> CCIR expects that any functions outsourced to third parties do not hinder the quality of services or jeopardize the insurer's or distribution firm's ability to achieve fair treatment of customers.

Outsourcing is defined as delegating to a service provider, over a defined period, the performance and management of a function, activity or process that is or could be undertaken by the insurer or distribution firm itself.

When tasks of an insurer or a distribution firm are delegated to a third party, the third party must carry out these tasks in compliance with the laws, regulations and guidelines applicable to the insurer's or intermediary's activities.

<u>Expectations to achieve this outcome (insurers and distribution firms)</u>

- Retain full and ultimate responsibility for those outsourced functions and, consequently, monitor them accordingly.
- Only deal with third parties whose policies, procedures and processes are expected to result in fair customer outcomes.
- Maintain appropriate controls over outsourced functions.
- Develop outsourcing agreements that do not hinder the quality of services or jeopardize their ability to fulfill fair treatment of customers-related obligations.
- Ensure that the firms to which they outsource processes have adequate policies and procedures in place for the protection and use of private customers' information records.

<u>Expectations to achieve this outcome (insurers)</u>

- Supervise and monitor functions outsourced to agent firms.
- If any of the claims handling or complaints processes are outsourced in part or in full, maintain close oversight and ultimate responsibility for the provision of fair and transparent claims handling and complaints resolution.

Design of Insurance Product

> CCIR expects that the design of a new insurance product or significant adaptations made to an existing product take into account the interests of the target consumers' group.

With the development of complex products, sometimes high-risk or difficult to understand, any weakness in the design or the related disclosure documents can increase the likelihood of inappropriate choices from consumers.

<u>Expectations to achieve this outcome (insurers)</u>

- Development of products includes the use of adequate information to assess the needs of different consumer groups.
- Product development (including a product originating from a third party administrator) provides for a thorough assessment of the main characteristics of a new product and of the related disclosure documents by every appropriate department of the insurer.
- Policies, procedures and controls put in place enable the insurer to:
  - offer a product that delivers the reasonably expected benefits;
  - target the consumers for whose needs the product is likely to be appropriate, while preventing or limiting, access by consumers for whom the product is likely to be inappropriate;
  - assess the risks resulting from the product by considering, among other things, changes associated with the environment or stemming from the insurer's policies that could harm customers; and
  - monitor a product after its launch to ensure it still meets the needs of target customers and, as the case may be, take the necessary remedial action.
- Provide relevant information and training to intermediaries to ensure that they understand the target market, such as information related to the target market itself, as well as the characteristics of the product.
- Retain oversight of, and remain accountable for, the development of its products whenever product development is undertaken by distribution firms on its behalf.

<u>Expectations to achieve this outcome (intermediaries)</u>

- Provide information to the insurer on the types of customers to whom the product is sold and whether the product meets the needs of the target market, in order to enable the insurer to assess whether its target market is appropriate and to revise the product, when needed.
- When undertaking product development on behalf of an insurer, take customers' interests into account in performing this work.

Distribution Strategies

> CCIR expects that distribution strategies are tailored to the product, take into account the interests of the target consumer groups and result in consistent consumer protections independently of the distribution model chosen.

Insurers are accountable for distribution strategies and are ultimately responsible for all aspects of oversight of the distribution of their products, regardless of the distribution model.

Distribution models have evolved and CCIR expects this evolutionary process to continue, particularly considering the rapid pace of change brought on by technological developments in the financial services sector.

However, regardless of the distribution model and medium used, insurers must ensure that consumers are treated fairly. Adequate protection is of paramount importance.

<u>Expectations to achieve this outcome (insurers)</u>

- Development of distribution strategies includes the use of adequate information to assess the needs of different consumer groups.
- Policies, procedures and controls put into place ensure that distribution methods are appropriate for the product, particularly in light of the legislation in force and whether or not advice should be provided.
- Assess the performance of the various methods of distribution used, particularly in terms of fair treatment of customers and, if necessary, take the necessary remedial action.

<u>Expectations to achieve this outcome (intermediaries)</u>

- Provide information to the insurer, particularly in terms of fair treatment of customers in order to enable the insurer to revise its distribution strategy, when needed.

Disclosure to Customer

> CCIR expects that a customer is given appropriate information in order to make an informed decision before entering into a contract.

Insurers and intermediaries ensure that customers are appropriately informed about a product, before and at the point of sale, to enable them to make an informed decision about the proposed product.

The information provided is sufficient to enable customers understanding the characteristics of the product they are buying and help them understand whether and how it may meet their needs. To this end, the level of information required will tend to vary accordingly to the knowledge and experience of a typical customer for the product in question and the product's overall complexity.

Whatever distribution model and medium used to make the disclosure, insurers and intermediaries ensure they provide an equivalent level of protection to customers.

<u>Expectations to achieve this outcome (insurers and intermediaries)</u>

In particular, CCIR expects the disclosure to customers to:

- be up to date and provided in a way that is clear, fair and not misleading, using plain language wherever possible;
- be prepared in written format, on paper or another durable and accessible medium;
- focus on the quality rather than the quantity of information;
- identify the insurer and provide its contact information;
- include information on key features of particular significance to the conclusion or performance of the insurance contract, including any adverse effect on the benefit payable under that contract;
- clearly identify the rights and obligations of the customer, including the rights to cancel, to claim benefits and to complain; and
- make available the information on their policies and procedures on claims and complaints publicly.

<u>Expectations to achieve this outcome (intermediaries)</u>

- The types of business for which they are authorized.
- The services provided, including whether they offer products from a full range of insurers, from a limited range or from an exclusive insurer.
- Their relationship with the insurers with whom they contract.

Product Promotion

CCIR expects that product promotional material is accurate, clear, not misleading and consistent with the result reasonably expected to be achieved by the customer of this product.

The insurer is responsible for providing promotional material that is accurate, clear and not misleading not only to customers but also to intermediaries who may rely on such information. To this end, the insurer ensures that advertising material regarding its products is reviewed independently prior to being disseminated. Any promotional material designed by intermediaries follows the same principles.

If an insurer or intermediary becomes aware that the promotional material is not accurate and clear or is misleading, it informs the party responsible for designing the material, whether insurer or intermediary, and has the material withdrawn. In cases where the insurer or intermediary knows that customers are relying on any materially inaccurate or misleading information, they notify such customers and correct the information as soon as reasonably practicable.

<u>Expectations to achieve this outcome (insurers and intermediaries)</u>

To promote products in a fair manner, the information provided:

- is easily understandable;
- is consistent with the coverage offered;
- accurately identifies the product provider;
- states prominently the basis for any claimed benefits and any significant limitations; and
- does not hide, diminish or obscure important statements or warnings.

Advice

CCIR expects that, when advice is given, customers receive relevant advice before concluding the contract, taking into account the customer's disclosed circumstances.

Advice goes beyond the provision of product information and relates specifically to the provision of a personalized recommendation on a product in relation to the disclosed needs of the customer.

Insurers and intermediaries are committed to delivery of high quality advice, communicated in a clear and accurate manner that is comprehensible to the customer. Minimizing the risk of inappropriate sales is a core priority. Independent of the distribution model or the medium used, it is made clear to the customer whether advice is provided or not.

<u>Expectations to achieve this outcome (insurers and intermediaries)</u>

- Insurers and intermediaries seek the information from their customers that is appropriate for assessing their insurance demands and needs, before giving advice. This information may differ depending on the type of product and may, for example, include information on the customer's:
  - financial knowledge and experience;
  - needs, priorities and circumstances;
  - ability to afford the product; and
  - risk profile.
- The basis on which a recommendation is made is explained and documented, particularly in the case of complex products and products with an investment element. Where advice is provided, this is communicated to the customer in written format, on paper or in a durable and accessible medium, and a record kept in a "client file".
- Insurers and intermediaries review the "client files" of those under their responsibility to exercise control after the fact on the quality of the advice given, take any necessary remedial measures with respect to the delivery of advice and, if applicable, are in a position to examine fairly any complaints submitted to them.
- In cases where advice is not required by law but would normally be expected and may be waived by the customer, the insurer or intermediary retains an acknowledgment by the customer to this effect.

- In order to ensure the delivery of quality advice, insurers and intermediaries establish continuous training programs that allow the persons giving advice to maintain an appropriate level of knowledge about :
    - their industry segment;
    - the characteristics and risks of the products and services and their related documentation; and
    - the applicable legal and regulatory requirements.

Disclosure to Policyholder

CCIR expects that policyholders are provided information allowing them to make informed decisions throughout the lifetime of their contracts.

CCIR expects that the disclosure processes established by insurers allow policyholders to determine whether the product continues to suit their needs and expectations and as the case may be, remind them in a timely manner of options that can be exercised from time to time.

Where there are changes in terms and conditions, the insurer notifies the policyholder of their rights and obligations regarding such changes and obtains the policyholder's consent as appropriate.

<u>Expectations to achieve this outcome (insurers)</u>

The system includes the disclosure of information:

- on the insurer:
  - any change in the name of the insurer, its legal form or the address of its head office and any other offices as appropriate;
  - any acquisition by another insurer resulting in organizational changes as far as the policyholder is concerned; and
  - where applicable, information on a portfolio transfer (including policyholders' rights in this regard).
- on terms and conditions:
  - evidence of cover (including policy inclusions and exclusions) promptly after inception of a policy; and
  - changes in policy terms and conditions or amendments to the legislation applicable to the policy.
- in the case of switching between products or early cancellation of a policy.

Claims Examination and Settlement

> CCIR expects claims to be examined diligently and fairly settled, using a simple and accessible procedure.

The claims examination and settlement processes are key indicators for assessing an insurer's performance regarding the fair treatment of customers. Sometimes, intermediaries serve as an initial contact for claimants, which may be in the common interest of the policyholder, intermediary and insurer.

<u>Expectations to achieve this outcome (insurers)</u>

- Maintain written documentation on their claims handling procedures, which include all steps from the claim being made up to and including settlement. Such documentation may include expected timeframes for these steps, which might be extended in exceptional cases.
- Claimants are informed about procedures, formalities and common timeframes for claims settlement.
- Claimants are given information about the status of their claim in a timely and fair manner.
- Claim-determinative factors such as depreciations, discounting or negligence are illustrated and explained in comprehensive language to claimants. The same applies when claims are denied in whole or in part.
- Dispute resolution procedures follow a balanced and impartial approach, bearing in mind the legitimate interests of all parties involved. Procedures avoid being overly complicated, such as having burdensome paperwork requirements.
- Mechanisms are in place to review claims disputes within the insurer to promote fair play and objectivity in the decisions.

Complaints Examination and Dispute Resolution

> CCIR expects complaints to be examined diligently and fairly, using a simple and accessible procedure.

The complaint examination and dispute resolution processes are key indicators for assessing an organization's performance regarding the fair treatment of customers.

A complaint can be defined as an expression of dissatisfaction about the service or product provided by an insurer or intermediary. It may involve, but is differentiated from, a claim (unless in dispute) and does not include a pure request for information.

<u>Expectations to achieve this outcome (insurers and intermediaries)</u>

- Establish policies and procedures to deal in a fair manner with complaints which they receive. These include keeping a record of each complaint and the measures taken for its resolution.
- Respond to complaints without unnecessary delay; complainants are kept informed about the handling of their complaints.
- Analyze the complaints they receive to identify trends and recurring risks. Analysis of what leads to individual complaints can help them to identify and enable them to correct, common root causes.

Protection of Personal Information

> CCIR expects protection of confidentiality of personal information policies and procedures adopted by insurers or intermediaries to reflect best practices in this area and ensure compliance with legislation relating to privacy protection.

Theft, loss or inappropriate use of personal information obtained from customers represents a risk to customers and a threat to the reputation of organizations.

The protection of personal information is a key issue for insurers and intermediaries. The sustainability of their operations depends, among others, on public confidence in this regard. Customers expect their information to remain confidential and be handled accordingly.

Expectations to achieve this outcome (insurers and intermediaries)

- Provide their customers with a level of comfort regarding the security of their personal information.
- Have sufficient safeguards in place to protect the privacy of personal information on customers.
- Have appropriate policies and procedures in place. Examples of areas that might be covered include:
    - ensuring that the board and senior management are aware of the challenges relating to protecting the privacy of customers' personal information;
    - demonstrating that privacy protection is part of the organization's culture and strategy, through measures such as training to employees that promotes awareness of internal and external requirements on this subject; and
    - implementing internal control mechanisms that support the objectives of protecting the privacy of personal information on customers and assess the risks associated with potential failure to protect the privacy of personal information.

Glossary

Authorized	Includes licensing registration or exemption. In Canada, intermediaries that are subject to licensing and supervision can vary from jurisdiction to jurisdiction. This guidance applies to all intermediaries that are authorized to do business within any jurisdiction.
Consumers	All actual and potential customers for insurance products.
Customer	Policyholder or prospective policyholder with whom an insurer or insurance intermediary interacts, and includes, where relevant, other beneficiaries and claimants with a legitimate interest in the policy.
Intermediary	As the case may be, individuals (agents and representatives) or distribution firms.
Organizations	As the case may be, insurers and/or distribution firms.

CONSULTATION DRAFT - CONFIDENTIAL

Superintendent's Guideline No. 01/17: Treating Financial Services Consumers Fairly

Introduction

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

For the purposes of this Guideline, consumers and members of credit unions/caisse populaires and Ontario farm mutuals will be referred to collectively as "financial services consumers" or "consumers"; and those FSCO-licensed/registered individuals and entities in the financial services sectors to which this Guideline applies will be referred to as "licensees".

The 2008 financial crisis demonstrated how risks to the stability of the financial system as a whole can arise not only through failings in financial and capital management, but also as a result of poor conduct of business practices and unfair treatment of financial services consumers. This experience and others that followed have also demonstrated a lack of confidence by financial services consumers that many of those providing financial services will act in their best interest and treat them fairly.

FSCO expects that licensees are already treating financial services consumers fairly and in fact, FSCO already looks for this during its monitoring and oversight activities. There is, however, a need to further clarify FSCO's expectations as part of its statutory mandate to protect the public interest and enhance public confidence in FSCO's regulated sectors.

Purpose

The purpose of this Guideline is to ensure there is a common understanding between FSCO and licensees as to what it means to treat financial services consumers fairly. The Guideline provides direction for the conduct of financial services business in a way that allows licensees to demonstrate to consumers that they meet the Superintendent's expectations. It seeks to strengthen public trust and consumer confidence in the financial services sectors regulated by FSCO.

Much of what FSCO expects is already contained in existing legislation or is part of accepted industry best practices. However, treating financial services consumers fairly is not just about the law; it is also about an ethical way of doing business, and a culture that places consumers at the centre of all business decisions.

It is about putting the interests of the consumer first, and considering what financial services consumers expect or need at every stage the product life-cycle, right from the moment a product is envisioned, all the way through to the end or fulfillment of a business contract. Treating consumers fairly is focused on achieving clearly articulated, measurable and demonstrable outcomes for the financial services consumer.

Responsibility to treat financial services consumers fairly throughout the product life-cycle

The Superintendent's expectations apply to all licensees, whether they have a direct interface with the consumer or not, and whether or not they are involved in all stages of the product life-cycle. This includes licensees designing a financial services product, and those distributing or selling products to financial services consumers.

Licensees that are not directly selling products to, or advising financial services consumers themselves, still need to consider the Superintendent's expectations and the impact of their conduct of business on the financial services consumer. These licensees may have a role in designing products and defining their target market; providing promotional material to licensees that will sell and provide advice on financial products, or to the financial services consumers themselves; and post-sale service where they acquire an ongoing contractual relationship.

Licensees who are involved in sales and distribution, on the other hand, will generally be responsible for providing information at the point of sale, for the appropriate advice, and for the suitability of the sale of the financial product. Sometimes these licensees play just an advisory or intermediary role between the designer / manufacturer / provider of the financial product or service and the end-consumer. In this Guideline we will sometimes refer to these licensees as "intermediaries".

Regardless of the stage of the product life-cycle that the licensee is involved with, where more than one licensee is involved in the design, marketing, distribution and post-sale servicing of a financial product or service, the Superintendent expects treating consumers fairly to be a shared responsibility of all those involved.

Finally, licensees are accountable/responsible for ensuring that the Superintendent's treating consumers fairly expectations are known to, and complied with by their non-licensed employees, third party contractors, and intermediaries acting on their behalf.

Application of proportionality when implementing the Guideline

The Superintendent's expectations apply to all licensees including individuals, sole proprietorships, partnerships and corporations. Given that the nature and activities of licensees to whom this Guideline applies are so diverse, ranging from large institutions offering highly complex products, to individuals giving advice on the suitability of a product, FSCO believes it is neither possible nor desirable to specify exactly what it expects from every licensee against detailed or prescriptive rules. Implementation of this Guideline is not a "one size fits all" approach and may differ based on the licensee's size, ownership structure, risk profile, nature and complexity of operations, as well as the sector and markets where it operates.

For example, the policies, record-keeping and analysis that would be expected from a licensee that is an individual or a sole proprietor in order to document fair treatment of consumers may not be as extensive, but FSCO still expects these licensees to have appropriate internal controls in place to ensure and demonstrate the licensee has met the principles of the fair treatment of financial services consumers. In other words, FSCO's proportionality principle recognizes nature, scale and complexity of the licensee, giving room for tailored solutions to achieve the desired objectives contained in the Superintendent's expectations.

This Guideline is also not intended to be an exhaustive list of practices. Rather, it provides some guidance and examples of what FSCO expects to see, as part of its consumer protection mandate, during compliance examinations and other touchpoints such as questionnaires and attestations.

The Superintendent expects licensees will consider the spirit of this Guideline and proportionally adapt it to all of their business activities. The Guideline uses "must" when a statutory requirement is in place for all licensees; and "should" where a licensee is expected by FSCO to consider a particular action to comply with a Principle, without necessarily implying that there is only one prescribed course of action. Notwithstanding the above, licensees are responsible for knowing what are their legal obligations.

The Superintendent's Expectations for Treating Financial Services Consumers Fairly

1. **FSCO expects that treating financial consumers fairly is a core component of the licensees' business governance and culture.**

- A treating consumers fairly culture should be driven from the senior levels of an organization ("tone from the top"). It is the responsibility of the licensee, its owners, partners, officers, board of directors and/or senior management to build this culture.
- Licensees should design, implement, communicate and monitor compliance with a code of conduct, and/or policies and procedures that reinforce a fair treatment of consumers' culture. Policies should also be made publicly available, especially those relating to how financial services consumers can file a complaint.
- Policies and procedures that promote treating consumers fairly should be incorporated into any outsourcing contract or arrangement with intermediaries and third party contractors.
- All licensees should comply with the code of conduct and treating consumers fairly policies and procedures of their organization.
- The expectation to establish a treating consumers fairly culture applies to all licensees, regardless of their size. Licensees who are individuals, sole proprietorships, and partnerships should align their business decisions and priorities with treating consumers fairly outcomes in a manner proportionate to

the size and complexity of their business. For example, these licensees should subject their day-to-day business and all decisions that have an impact on financial services consumers to scrutiny in terms of whether or not they support their fair treatment.

- Licensees should have appropriate mechanisms in place that are reasonably designed to measure compliance with treating consumers fairly policies (e.g. conducting consumer satisfaction surveys).

2. FSCO expects licensees to act with due skill, care and diligence when dealing with consumers, and when designing products.

- Licensees involved in sales, service and advice to consumers must meet the required statutory proficiency qualifications, and act with the due skill, care and diligence appropriate for the product involved and the personal circumstances and financial needs of the consumer.

- Licensees involved in the design and governance of products should have regard to the needs of their target market. This may also require choosing the most appropriate distribution methods tailored to the target market, and having an established process to identify/mitigate risks that a product may pose to particular consumers (e.g., stress-testing; monitoring of products post-launch to ensure they meet the needs of the initial target market).

- All licensees should regularly deliver and/or participate in training programs on ethics and integrity, specifically related to their own code of conduct or standards.

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

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

may be most useful to the financial services consumer during their decision-making process.

- Financial services consumers should receive clear information about their rights and obligations (e.g., the right to file a complaint or to cancel a product or service, and any responsibilities to disclose material changes), including whom they could contact.
- Controls should be in place so that licensees providing advice, or engaged in soliciting, sales and/or the provision of services, are familiar with and have access to the target market for which the product was developed.
- Licensees involved in developing marketing material should obtain the approval of the product manufacturer, as necessary, and engage the services of a third party to conduct independent reviews of promotional or advertising materials and other communications intended for consumers to ensure clarity, plain language and compliance.
- If financial products and services are offered digitally, the same levels of transparency and disclosure should be applied as with traditional means, including access to a licensed intermediary who is qualified to provide advice.

4. FSCO expects licensees to recommend products that are suitable, taking into account the consumer's disclosed personal circumstances and financial condition.

- The licensee and the financial services consumer should have a common understanding of the nature of products or services to be provided, i.e., determine whether the consumer wants to purchase a specific product, or if they are seeking professional advice and/or a product recommendation. This understanding should be documented.
- Licensees should follow a three-step process to ensure the product offered is in the best interest of the consumer, having regard for the consumer's needs and circumstances:

1. Get to know your client by using methods such as fact-finding.

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

2. Understand the products fully- how they work, their limitations, exclusions and material risks.

3. Conduct a thorough needs analysis to understand, based on the facts and information obtained from the consumer, what are the consumer's objectives and needs.

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

- Licensees who do not interface with consumers but have responsibility for the financial product should review the sales files of those working on their behalf in order to monitor the quality and suitability of the advice given to financial services consumers related to that product. Remedial actions, including a report to the Superintendent, should be taken if the delivery of advice was unsuitable.
- In order to promote suitable advice, licensees should promote/provide continuous training programs and monitor mandatory education (as required) requirements to make sure their employees and intermediaries acting on their behalf are aware of market trends, economic conditions, product innovations, and changes to the law.
- In cases where advice would normally be expected but the consumer chooses not to accept the advice, written acknowledgment of the consumer's decision to decline the advice should be documented.

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

- Licensees must comply with legal requirements to disclose and manage any potential or actual conflicts of interest. Actual or perceived conflicts of interest are best managed by avoidance.

- Some examples of situations where conflicts of interest may arise include:

    - Payment or acceptance of an incentive, commission, or any non-monetary benefit for the sales of financial services or products.
    - Making a financial gain or avoiding a financial loss at the expense of the consumer.
    - Inability to act in the best interest of one consumer without adversely affecting the interest of another.
    - Any relationship that may be perceived to potentially affect the independence of advice given.

- Licensees may manage conflicts of interest in different ways, depending on the circumstances. For example, some conflicts may be managed by disclosure, or by providing the consumer with information about the number of companies the licensee represents. If there is a situation where a conflict cannot be managed satisfactorily, licensees should consider declining to provide the service and/or product.

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

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

- Licensees must comply with legal requirements to keep a written record of their claims-handling procedures, including all steps from the claim being raised to its settlement.
- Licensees should provide consumers with timely information and easy access to the means of making a claim, applying for benefits, or accessing dispute resolution mechanisms.
- The licensee should take all reasonable steps to disclose information to the consumer regarding any contractual changes during the life of the financial services or product, and any further information relevant to the financial services consumer. For example, if there are corporate or legislative changes that may affect the consumer, these should be communicated in a timely manner.
- Financial services consumers should be informed of what their obligations are post-sale and throughout the product life cycle (e.g., inform the licensee if their life circumstances change).
- Where there are changes in terms and conditions, the financial services consumer should be notified of their rights and obligations; their consent should be obtained as needed.
- Licensees should provide ongoing service and/or information to financial services consumers when they switch between products or cancel a contract early.

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

- A complaint is an expression of dissatisfaction about the product or services provided. FSCO considers complaints as a key indicator of how a licensee's business is conducted, and implements an approach where consumers are encouraged to make complaints directly to industry as a first step.

- Licensees must comply with legal requirements to have clear, transparent and accessible policies and procedures in place to review and resolve consumer complaints in a timely and fair manner, including a system for record keeping for each complaint, and the measures taken for its resolution. Where a complaint cannot be resolved, licensees should provide the complainant with a final position letter that includes options for seeking further redress.
- Licensees should monitor complaints-handling processes and outcomes to ensure their ongoing effectiveness.

- Licensees should analyse complaint data to identify individual or systemic issues that are adversely affecting consumers and take corrective actions, as necessary.

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

- Licensees must comply with the Personal Information Protection and Electronic Documents Act, including any legal requirements to obtain consent prior to accessing or using personal information of a consumer (e.g. pulling a credit report).
- Licensees should have policies and procedures for the protection and use of personal and financial data. This includes creating safeguards to prevent the misuse or inappropriate communication of any personal information in their records, and providing a safe online environment for financial services consumers.
- Licensees should notify financial services consumers in a timely manner of any breach in confidentiality.
- Licensees should establish and comply with policies and processes that help prevent cybercrime, and consider steps to take if a cyber-attack takes place.

Contact

Should you have any inquiries regarding this guideline, please contact the contact centre.

Brian Mills
Chief Executive Officer and
Superintendent of Financial Services
XX, 2018

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BANK-OWNED INSURANCE COMPANY

CEO ATTESTATION

I,_______________________________________,____
(***Name of Officer)*** ***(Office held)***

of____(“the Insurer”)

____

____
(Official Name of Company or Group of Companies)

as President, Chief Executive Officer or most senior officer responsible for the Insurer’s operations in Ontario, and ultimately responsible for the development and implementation of controls, procedures and processes to ensure the Insurer’s compliance with:

(a) The provisions which prohibit an insurer from engaging in any illicit and coercive activities that fall under Section 438 of the Insurance Act and O. Reg. 7/00 Unfair or Deceptive Acts or Practices (“UDAP”) Regulation related to the sale of insurance products and services, specifically:
- Section 1.4 - Any illustration, circular, memorandum or statement that misrepresents, or by omission is so incomplete that it misrepresents, terms, benefits or advantages of any policy or contract of insurance issued or to be issued.
- Section 1.5 - Any false or misleading statement as to the terms, benefits or advantages of any contract or policy of insurance issued or to be issued.
- Section 1.7 - Any payment, allowance or gift or any offer to pay, allow or give, directly or indirectly, any money or thing of value as an inducement to any prospective insured to insure.
- Section 1.10 - Making the issuance or variation of a policy of automobile insurance conditional on the insured having or purchasing another insurance policy.

(b) The spirit and intent of the UDAP regulations and the fair treatment of consumers.

Having informed myself in all material respects as necessary, **I CERTIFY THAT:**

1. I have continued to oversee, and refine as necessary, the operation of controls, procedures and processes necessary for the Insurer to continue to achieve compliance with section 439 of the Insurance Act to not engage in any unfair or deceptive act or practice, specifically the UDAP provisions applicable to the sale of insurance products and services directly to consumers

2. To the best of my knowledge and belief, the Insurer’s compliance controls and governance with respect to direct selling of insurance products and services by employees are adequate and satisfy the core three principles for managing conflicts of interest:

   - **Priority of Client’s Interest** - An intermediary must place the interests of policyholders and prospective purchasers of insurance ahead of his or her own interests
   - **Disclosure of Conflicts or Potential Conflicts of Interest** - Consumers must receive disclosure of any actual or potential conflict of interest that is associated with a transaction or recommendation.
   - **Product Suitability** - The recommended product must be suitable for the needs of the consumer.

3. The Insurer has identified audit processes (e.g., external; internal) that are appropriate for the Insurer, given its circumstances, for the purpose noted above. The Insurer has implemented and administers audit processes that are appropriate for the Insurer given its circumstances.

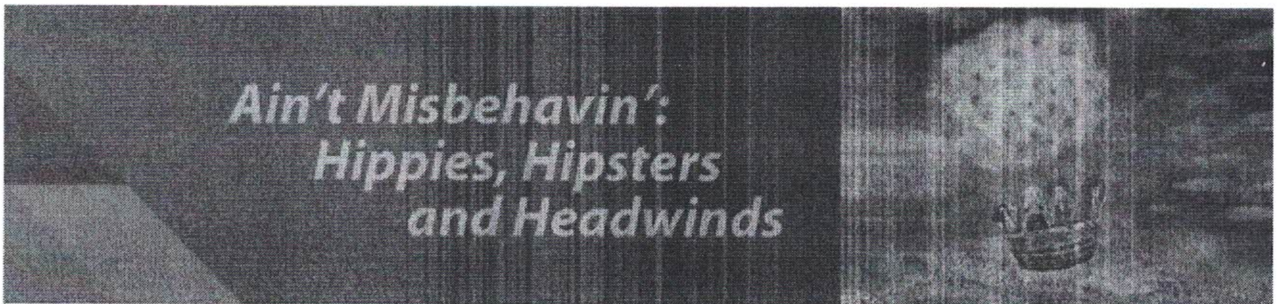
___________________________	___________________________
Signature of Officer	***Date, Location***

LIMRA LOMA

WEB VERSION

LIMRA and LOMA Canada Annual Conference

June 7, 2018 • Manulife • Toronto, ON



Highlights | Register | Venue

All we are saying is give change a chance

Like it or not, change is happening all around us and transforming our industry. This year's conference features indie thinkers and trailblazers on the forefront of trends who will dissect key consumer, technology and regulatory changes and their impact on your business.

One major shift happening in Canada and elsewhere is the decriminalization of recreational cannabis consumption. In his groovy presentation entitled "Reefer Madness Redux", **Dr. Bruce Empringham, Vice President and Medical Director, Great-West Life, London Life and Canada Life**, will clear the smoke about the potential risks and benefits of marijuana use and legalization, and share his views from the perspective of a doctor, an underwriter and a father. (And no, he won't be behaving badly.)

Dr. Empiringham in a Capsule

- Graduated in Medicine from Queen's University and completed his family practice residency at McMaster University
- Became Assistant Medical Director at London Life in 1991
- Later, assumed role of VP and Medical Director for Great-West Life, London Life and Canada Life and is presently responsible for individual insurance life and living benefits medical underwriting and medical claims assessment

- Remains active in the insurance industry in North America as past chair of several organizations, advisor on various industry and legislative fronts, and advocate for occupational health and work-life balance

Sign Up Early to Save!

Special Draw

Attend the conference for a chance to win a complimentary registration valued at USD$1,350 or more, for the LIMRA Annual Conference in New York City, NY on October 28–30, 2018.

You must be present at the time of the draw to qualify. The prize is non-transferrable to another person or event, and cannot be redeemed for cash.

Registration Fees

Early Bird Rate (by May 11, 2018)
LIMRA or LOMA members: CD$595 + HST
Non-members: CD$795 + HST

Regular Rate (after May 11, 2018)
LIMRA or LOMA members: CD$795 + HST
Non-members: CD$995 + HST

2018 Digital Performance, Awareness and Video

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

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

Agenda item 4(n)
February 27/17 EOC Meeting

From: Brendan Wycks [mailto:brendan.wycks@cafii.com]
Sent: Wednesday, February 14, 2018 12:25 PM
Subject: CAFII Alert: Bills 141 and 150 -- CAFII Opposes l'Association Professionnelle des Conseillers en Services Financiers (APCSF) and Calls for Further Clarification

CAFII Board, EOC, and Other Committee Members:

FYI, see below for an English translation of a CAFII-focused article which appeared this morning in the French version (https://journal-assurance.ca/article/projets-de-loi-141-et-150-lacifa-soppose-a-lapcsf-et-reclame-plus-declaircissements) of Le Journal de l'Assurance (The Insurance & Investment Journal).

The opportunity for Keith to comment/respond on behalf of CAFII for this article arose on Friday, February 9 when reporter Denis Méthot reached out to him via email with some questions related to the following statement in our CAFII submission on Bills 141 and 150 to Quebec's National Assembly Committee on Public Finance:

In that connection, our Association is strongly opposed to the Association professionnelle des conseillers en services financiers (APCSF)'s self-serving recommendation that the Quebec government should require distributors to place a prominent warning on their websites about the risks of acquiring an insurance product without the advice of a registered professional.

Keith responded to Mr. Méthot's questions on the weekend via a controlled written statement to him via email, which was vetted by our media consultant David Moorcroft and me.

Brendan Wycks, BA, MBA, CAE
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https://journal-assurance.ca/article/projets-de-loi-141-et-150-lacifa-soppose-a-lapcsf-et-reclame-plus-declaircissements/

Bills 141 and 150: ACIFA Opposes APCSF and Calls for Further Clarification
by Denis Méthot 14 February 2018 ⍰ 09:45

Bills 141 and 150 have highlighted many differences between the various players in the Quebec and Canadian insurance industry on major issues. The latest of these disagreements is between the Canadian Association of Financial Institutions in Insurance (CAFII) and l'Association professionnelle des conseillers en services financiers (APCSF).

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info@cafii.com www.cafii.com

CAFII members use alternative distribution channels, such as call centres, travel agents, direct sales, financial institution branches, and the internet, to sell life and health insurance products in the Quebec market.

Opposition to warnings on websites

In a report released by the parliamentary committee on Bill 150, CAFII, headquartered in Toronto, strongly opposes the APCSF's demand that the Quebec government require distributors to place a disclaimer on their websites outlining the risks of purchasing an insurance product online without the advice of a certified professional.

"There is a risk that this type of misleading warning will prevent consumers from getting the insurance they need," said Keith Martin, co-executive director of the organization, in an email to The Insurance & Investment Journal. "CAFII opposes the proposal because it treats the products of our members as if they are not normal and appropriate. "

Simple and accessible products

"Our members offer simple and affordable products that are competitively priced and offer a broad range of consumer insurance services," he adds. "Consumers have access to a wide range of information on insurance products and services and it is up to them, in a competitive market, to decide how they want to get insurance. "

"In particular, it should be up to the consumer to determine whether he wants to buy directly from a financial institution selling insurance or through an authorized advisor," says Martin.

Clarifications required

The organization says it supports the general thrust of Bill 141 and Bill 150, but is concerned that the interpretation of some provisions creates restrictions on the ability of its members to sell insurance products to consumers without being registered as firms.

According to the analysis of certain sections of Bill 141 by its legal counsel, CAFII believes that a distributor will be authorized to sell insurance products online or through a natural person. The Association applauds these provisions.

"Supporting the ability of new technologies and distribution networks to offer insurance options to consumers is essential for the industry to remain relevant and current," CAFII stated.

Ambiguous and vague terms

However, CAFII believes that the wording of certain sections of the two Bills is ambiguous and vague, notably section 530 of Bill 141, which states that "only a natural person may distribute an insurance product on behalf of a distributor." This wording, according to CAFII, contradicts the intention of the Minister of Finance, Carlos J. Leitão, to allow distributors to sell insurance products online or through a natural person.

Based on this interpretation, CAFII believes that online insurance sales would only be allowed if a natural person acted for the distributor and that certain financial institutions could not be registered because they do not have the power to act as a firm for the purpose of selling insurance products.

CAFII sees this as a major source of confusion and calls for clarification from the Minister to make things clear.

Other requests from CAFII

CAFII also requests confirmation from the government that the Insurance Act will be amended to allow financial institutions and other industry stakeholders to receive compensation for their services, other than the reimbursement of actual costs incurred in the administration of group insurance contracts on the life or health of debtors.

Since Bill 150 removes the ability of a distributor to sell credit insurance, the Association also requests that financial institutions and people who continue to offer consumer credit insurance should not have to register as a firm with the Autorité des marchés financiers.

CAFII Media Session
28 March, 2018—1pm-5pm
CIBC 33 Yonge St, 7th floor, International Room

S2C (David Moorcroft) will deliver a three-part Media Awareness and Training program as follows:

Part One (1 hour) – Setting Expectations (Keith, Brendan and interested board & EOC members) *1-2pm*

- **How the media works**
- **Risks and Rewards**
- **Implementing an effective engagement strategy**

Part Two (1 ½ hours) – Managing the Media (Keith and Brendan and interested board & EOC members) *2-3.30pm*

- **Theory and best practices**
- **How to become an effective spokesperson for CAFII**
- **How to become a desireable spokesperson for the media**
- **How to avoid pitfalls**

Part Three (1 ½ hours) – Simulated Media Interviews (Keith) *3.30-5pm*

- **Conduct & video-tape simulated media interviews with CAFII spokesperson**
- **Critique and provide feedback on each interview**

STRATEGY2COMMUNICATIONS

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Regulatory Update – CAFII Board of Directors and Executive Operations Committee, 27 February, 2018

Prepared by Keith Martin, CAFII Co-Executive Director

Table of Contents

Federal/National:

Federal / National

Federal Government

Federal cybersecurity regulations likely to heat up in 2018

Bethan Moorcraft reported in a 15 January, 2018 article that Canada's cybersecurity regulatory landscape is about to heat up with the long-awaited enforcement of Bill S-4, the Digital Privacy Act. The Act, passed by the federal government in June 2015, enforces mandatory breach notification, which means organizations will be required by law to alert potential victims if their personal identifiable information has been disclosed in an unauthorized fashion.

Regulatory and legislative changes are a key section in Aon's 2018 Cybersecurity Predictions Report. The insurer states that "In 2018, regulators at the international, national, and local levels will more strictly enforce existing cybersecurity regulations and increase compliance pressures by introducing new ones."

It says organizations across all sectors of business will need to optimize their compliance programs to satisfy this increased cyber scrutiny by leveraging external experts, automation, analytics, and other tools to drive actual, risk-based cybersecurity improvements.

"Canada is going to see some significant regulatory and legislative changes when amendments to the Digital Privacy Act finally come into effect," said Brian Rosembaum, senior vice president and national director, Legal and Research, ARS Canada. "The new regulations will clarify the obligations organizations are under to report breaches.

"The country is entering a mandatory breach notification regime and organizations of all sizes are going to have to develop a framework setting out how they will comply with the regulations if they haven't already done so."

Canadian Council of Insurance Regulators

CCIR provides an update on Year 2 2018 Market Conduct Filing

CCIR provided an update on 13 February, 2018 on Year 2 of the Annual Market Conduct Survey. The update includes information on the Annual Statement on Market Conduct, Sample Forms, and instructions and definitions for the 2018 filing. CCIR provided a series of documents on these issues, including General Instructions; Definitions (P&C); Definitions (L&H); the Annual Statement on Market Conduct (life and health insurers); and the Annual Statement on Market Conduct (P&C insurers). This material can be found at https://www.ccir-ccrra.org/en/init/Market_Intelligence_Data_Gathering_and%20Analytics/Market_Intelligence_Data_Gathering_and_Analytics.asp

Canadian Life and Health Insurance Association (CLHIA)

CLHIA Submission on Quebec Bill 141

CLHIA's submission on Bill 141 to the Committee on Public Finance of the Quebec National Assembly is aligned with CAFII's submission, particularly on matters relating to online and alternate distribution. The submission states that *"… the bill provides a framework for the online distribution of financial products and services, for which until now no rules existed. These improvements will enable insurance companies and advisors to invest with confidence in this mode of distribution and to innovate in response to evolving consumer habits, while promoting greater access to insurance protection, regardless of the distribution method chosen."*

The submission builds on this statement with the following commentary:

> *"A new chapter on commercial practices sets out the expectation that insurers must be able to demonstrate their adherence to sound commercial practices that ensure fair treatment for consumers, and defines their responsibility toward them, particularly with regard to the following:*
>
> *• the processing of client complaints and mediation by the Autorité des marchés financiers where required;*
>
> *• the right to cancel a contract purchased online within 10 days;*
>
> *• the provision of temporary insurance until a final contract is made;*
>
> *• the various modes of distributing insurance;*
>
> *• the direct distribution of insurance;*
>
> *• the liability of an insurer with respect to distributors;*
>
> *• the provision of appropriate information to consumers in a timely manner. These changes represent a significant step forward for consumer protection."*

The CLHIA submission reinforces this commitment to alternate distribution later in the submission with the additional statement that

> *"In the proposed legislation we see a real commitment to ensuring broader access to insurance products, while establishing the necessary safeguards around consumer protection. We need think only of the proposed framework for selling insurance online. Such measures are likely to pave the way and influence legislation in the other provinces, as they have not yet taken action in this area."*

This statement is further elaborated on with the submission's comment that

> *"The industry especially commends the decision by the government to implement a framework that clarifies the rules around the online sale of insurance products. It is important to remember that online distribution currently still lacks a legal framework and specific accountability. Once the bill is passed, insurance companies and firms, in particular, will be able to take full advantage of technological innovations, and will be able to do so with greater confidence and predictability going forward (fintech and insurtech). Technology is in fact a tool that allows insurers, firms, distributors and representatives to connect with a segment of the population that is increasingly engaged in online consumption, a segment that cannot be reached using traditional distribution models. But this has to be done in a way that respects and complements traditional*

distribution networks. In this way, an online presence may become a means of reaching younger people who might then turn to a licensed representative for help with needs that are more complex. In order to offer additional protection, the bill provides that any client who purchases insurance online will have access to advice from a natural person, if he or she so wishes. It further ensures protection for consumers by stipulating a 10-day period during which they may cancel policies purchased online."

While some technical issues are raised, the submission overall appears less concerned with technical language and potentially confusing clauses than was the CAFII submission. The CLHIA submission, like the CAFII submission, supports the thrust of the legislation enthusiastically, including the integration of the Chambres into the AMF.

CLHIA joins North American Insurance Associations that reaffirm support of the North American Free Trade Agreement (NAFTA)

The CLHIA joined a group of insurance associations -- *The American Council of Life Insurers, American Insurance Association, Insurance Bureau of Canada, Mexican Association of Insurance Companies, Property Casualty Insurers Association of America and Reinsurance Association of America* – in reaffirming support for the North American Free Trade Agreement (NAFTA). The statement says that the NAFTA "has benefitted the customers we serve across North America, along with our industry at large. … We urge the three parties to engage constructively to ensure that consumers and businesses are able to continue to benefit from NAFTA for decades to come." The statement adds that "NAFTA improved consumer access to innovative insurance products and bolstered competition by eliminating national ownership restrictions and establishing a non-discriminatory government procurement process. In addition, NAFTA bolstered investor confidence through investment protections and a path to resolve disputes."

Financial Services Regulatory Authority of Ontario (FSRA)

FSRA releases job application for founding Chief Executive Officer

FSRA has engaged in a job search through executive recruitment firm Odgers Berndtson for its inaugural Chief Executive Officer. The overview of the position states that "The FSRA Board's immediate priority is the appointment of a Chief Executive Officer (CEO) to lead the formation and development of an institution that will establish a world-class regulatory system within Ontario's financial services and pension sectors. This is an extraordinary opportunity to play an integral part in shaping a regulatory framework that will enable market participants to respond more effectively to the dynamic changes occurring in the marketplace, and to develop and implement structures and processes to enhance financial services regulation and consumer protection." The position description continues with the comment that "Success in this groundbreaking role will require a decisive leadership style in both strategy and execution. The CEO will have superior communications skills and the drive/energy to move multiple projects forward in a fast moving, fluid and evolving environment. This is a complex undertaking, calling for a sophisticated executive with an understanding of regulatory environments and financial services, strategic and operational skills, and proven experience in creating a new organization or facilitating the merger of existing entities."

Financial Planning Standards Council (FPSC) and Credit Canada

<u>Clients feel depressed about their finances in January – especially young adults</u>
More than half of Canadians are feeling the financial blues, and particularly those 45 and under, according to a recent survey conducted on behalf of the Financial Planning Standards Council (FPSC) and Credit Canada.

Leah Golob reported in a 15 January, 2018 article that he third Monday in January is known as "Blue Monday" and said to be the most depressing day of the year. To help Canadians combat sad feelings around their finances, the FPSC and Credit Canada developed a survey to ask: "When it comes to your finances, what makes you blue this time of year?"

Here are some of the survey's key findings:

> One-in-five respondents (20%) has a credit card balance larger than their savings account.
> Younger adults aged 18 to 44 are especially blue about finances this time of year (68%) compared to those 45 and older (41%).
> One-in-four Canadians surveyed (25%) do not have funds to escape the winter melancholy through a vacation.
> Six per cent of respondents have already broken their financial new years resolutions.
> Approximately 21% of Canadians survey spent more money than expected over the holidays.

Canadian Group Insurance Brokers (CGIB)

<u>Brokers group hits out at insurers over compensation guideline G19</u>
Proposed guidelines on compensation disclosure in group benefits has received short shrift from a national brokers group. Members of the Canadian Group Insurance Brokers (CGIB) claim the Canadian Life and Health Insurance Association's (CLHIA) consultation process has neglected their views. Earlier this month, CLHIA head Stephen Frank announced that Guideline G19 – Compensation Disclosure in Group Benefits and Group Retirement Services – would be held back until January 1, 2019. This, he explained, would provide insurers more time to properly engage with advisors and brokers. But in a 13 February, 2018 article by David Keelaghan, CGIB head Dave Patriarche says that this isn't the case, and claims that brokers have been largely left out of any real decision making.

"I think it creates an adversarial relationship with the insurance companies," he said. "They are going right past us and direct to our clients. Whenever you have someone going past you, especially on something like compensation disclosure, everyone will get their backs up. I think the effect will be a lot of people getting out of the business. I can see us losing 15–20% of brokers in Canada."

In announcing G19, the CLHIA stated that it wanted to see insurers disclose all broker/advisor compensation to group contract sponsors. In Patriarche's opinion, it's a solution to a problem that doesn't really exist.

"A broker is free to charge whatever they want, and sometimes the highest commission means a lot of value add, and other times it is just someone charging the highest price they can," he says. "I think this (G19) will drive things to the lowest price, but you have to consider what the client is giving up. In the UK and Australia when they have moved over to full fee-for-service, people didn't want to pay for advice, and everyone suffers."

National Coalition of Benefit Advisors (NCBA)

Fledgling coalition of group benefits advisors says it will speak for consumers
Susan Yellin reported on 21 February, 2018 that group benefit advisors and brokers are being urged to join a new Canada-wide group called the National Coalition of Benefit Advisors (NCBA), which it says will speak for consumers rather than insurance companies.

The group is being spearheaded by a number of Canada's benefits firms, including TRG Benefits and Pensions Inc. in Vancouver, and follows the release of G-19, a compensation disclosure guideline created by the Canadian Life and Health Insurance Association (CLHIA).

Robert Taylor, managing director at TRG, said a number of benefits brokers were told eight months before G-19 was issued that the advisor community would be consulted to help craft the guideline. "We were told that not once, not twice, but on numerous occasions from multiple sources, from the CLHIA and members themselves. [Even] CLHIA members are miffed. They're wondering what happened along the way."

Taylor said the guideline was entered into hastily and misses the target when it comes to transparency, conflict of interest and the best interests of the consumer. "When you have insurers' self-interest at the table it's pretty difficult to hit those three marks. You need to have a collaborative consultation."
Taylor said the fledging NCBA is 100 per cent in favour of disclosure – on all sides – and wants to restart the disclosure discussion with all the key stakeholders at the table.

G-19, as released by the CLHIA, is broken into two parts. It aims to disclose brokers' commissions as well as other inducements like travel rewards and bonuses directly to brokers' clients rather than through the brokers themselves. Phase 1 of the disclosure is set to begin January 1, 2019 and the second stage January 1, 2020. Some of the disclosures will be retroactive.

The guideline applies to both insurers' group retirement services and group benefits business.
The CLHIA says the goal of the new guideline is to be more customer-focused and transparent in compensation disclosure by establishing industry standards. It also says that insurers are responsible for the fair treatment of clients and having the insurer disclose compensation will ensure consistency throughout the industry.

Canada Protection Plan

The insurance opportunities in Canada's changing demographic
Bethan Moorcraft reported on 25 January 2018 that insurance for new immigrants is both a challenge and an opportunity for the industry. Canada is set to welcome nearly one million immigrants by 2020. Immigration Minister Ahmed Hussen has said that Liberal targets for economic migrants, refugees and family members would bring Canada's immigrant populace to nearly 1% of the country's total population in the next three years.

Changes to a country's socio-economic fibre can present exciting opportunities for the insurance industry, according to Canada Protection Plan's president, Henry Auyeung. Canada Protection Plan is a provider of non-medical and simplified-issue life insurance in Canada.

“When you look at population growth in Canada over the past few years, there has been a particular increase in the immigrant demographic,” he said. “Some newcomers to Canada might never have held insurance before or come from a background where insurance had such value. Therefore, we see huge opportunity in helping the immigrant demographic with their insurance needs.

“At Canada Protection Plan, we really focus on relaying an insurance solution to meet the needs of the Canadian people, which now includes more of an immigrant demographic. Even though there could be risks, we always try to look at the positives and find opportunities.”

As Canadian society transforms, the insurance industry must change with it. A majority of Canada Protection Plan’s business comes from middle-class income families with two bread-earners, and very little time on their hands.

“The challenge we face as a company comes from the changing socio-economic system in Canada,” Auyeung told *Insurance Business.* “Time is a luxury for many Canadians. In the past people might have been happy to spend an hour at the kitchen discussing life insurance prospects with a broker, but these days they want to spend that quality time with their family.

“Therefore, we are doing everything we can to make sure it’s easy to do business with us. We have simplified our end-to-end process using technology to provide quick and affordable insurance solutions to help Canadians deal with adverse life-changing events.”

Technological advancement in other industries has also provided opportunities for the life insurer. The company has launched an initiative to look at cancer differently, segregating aggressive versus non-aggressive variations of the disease, so that people with minor health issues are able to get coverage.

Royal Bank of Canada (RBC)

<u>RBC to open cybersecurity lab and support research at University of Waterloo</u>
IJ Staff reported on 29 January, 2018 that RBC announced that it is opening a cyber security lab and investing $1.78 million into research at the University of Waterloo to develop advanced cybersecurity and privacy tools.

Online malicious attacks and botnets have become increasingly sophisticated and targeted as people share more and more personal data online, says the bank. The funding will support researchers in the David R. Cheriton School of Computer Science and the Department of Combinatorics and Optimization at Waterloo's Faculty of Mathematics.

In addition to the new RBC cybersecurity lab for the financial sector within Waterloo's William G Davis Computer Research Centre, the funding will support research on data-driven software defined security, which is focused on detecting and mitigating security threats using machine learning and AI. The funding will also support research on privacy enhancing technologies, focused on the safety and security of consumer metadata, including identity and location.

Research into post-quantum cryptography will also be funded. This research led by David Jao “will focus on a unique blend of pure mathematics and computer science that produces a data encryption so strong that quantum computers cannot crack it,” says RBC. "Collaborating with the University of

Waterloo's Faculty of Mathematics and their pool of talented researchers will give us more brain power to continually develop Canadian talent to support the demands of the cyber security industry," said David Fairman, Chief Information Security Officer, RBC. "This partnership is important to RBC as we'll be able to leverage Waterloo's unique capabilities in mathematical science as it applies to tackling increasingly sophisticated cyber attacks."

Desjardins Insurance

Desjardins Insurance now covers all cancers

Alain Thériault reported on 19 February 2018 that Desjardins Insurance has launched *Health Priorities*, a critical illness insurance product that covers all cancers and abolishes the 30-day survival period that the insurer's former product *Harmony* required for a cancer diagnosis – a practice common in the industry. Abolishing the survival period for cancer will speed up payment.

"All insurance companies require a survival period of at least 30 days after a diagnosis of cancer," said Nathalie Tremblay, head of life insurance products and living benefits, in an interview with *The Insurance and Investment Journal*. "We decided to remove it because it is very rare that a person dies less than 30 days after a cancer diagnosis."

Diagnoses for non-life threatening cancers will qualify for an advance of the critical illness insurance benefit, which will vary according to the severity of the situation. "We cover all cancers in Canada, an industry first. When a cancer meets criteria defined by the CLHIA, we will pay 100 per cent of the critical illness insurance benefit. For all others, we will advance 30 per cent, 15 per cent or 1 per cent (of the benefit amount), depending on the case."

For the coverage of cardiovascular diseases, Desjardins has added more coverage for less severe conditions. "In slightly less severe conditions, all insurers cover angioplasty. We cover other conditions, including aortic aneurysm and the implantation of a defibrillator," she said.

iA Financial Group and TuGo

iA Financial Group teams up with TuGo to offer travel insurance

IIJ reported on 17 January, 2018 that iA Financial Group is partnering with TuGo, a travel insurance provider, to offer a new travel insurance product. It will feature simplified eligibility criteria, 24/7 emergency assistance anywhere in the world, multilingual customer service and the *myTuGo* online client portal.

"Travel insurance meets the needs of most people who are concerned with being properly protected when they travel, stated Pierre Vincent, Senior Vice-President, Individual Insurance and Sales at iA Financial Group in an announcement. "We are proud to extend our product offer through our partnership with TuGo, a company that is recognized for the quality of the service it provides."

The product is exclusively digital and can be obtained from an advisor or directly at ia.ca. There are no medical eligibility questions for travellers under age 60. Older travellers are required to answer five questions.

Provincial/Territorial

British Columbia

Insurance Council of British Columbia (ICBC)

G. Matier to continue in advisory capacity to Executive Director J. Sinclair for several months
In conversation with K. Martin following the CISRO LLQP Stakeholder Information Session on December 6/17 (held at FSCO offices in North York, Ontario), recently retired ICBC Executive Director G. Matier advised that while J. Sinclair had succeeded him as Executive Director of the ICBC on 1 November 2017, he had been retained by her to provide management consulting services for several additional months. Mr. Matier also went out of his way to emphasize how valuable the CAFII consultation with the ICBC in their own offices on 17 October, 2017 had been, and how he strongly supported CAFII's intention of visiting regulators on an ongoing basis in their own locale.

Manitoba

Insurance Council of Manitoba (ICM)

Insurance Council of Manitoba releases a Bulletin on important changes to E&O reporting
The Insurance Council of Manitoba released a Bulletin on important changes to E&O reporting that states that "Beginning in June 2018, in order to maintain your licence(s) you will be required to enter your updated professional liability (E&O) insurance renewal information in the ICM online portal." The Bulletin also states that "The Insurance Act requires that all Agents continually maintain E&O insurance in order to have a valid licence." The full Bulletin can be found at:
https://www.icm.mb.ca/files/Bulletin/Website_Notice_EO_changes_1st_notice_Life_AS_Hail_RIA.pdf

Ontario

Insurance Bureau of Canada (IBC) and FSCO

Insurance Bureau of Canada Complains Regulatory Restrictions Impeding use of Telematics
While technology is creating new opportunities for insurers to be more efficient and adjust premiums to actual consumer behavior, regulatory rules are restricting the adoption of some of these opportunities, according to the Insurance Bureau of Canada (IBC) in an interview with Canadian Underwriter's Jason Contant on 14 February, 2018.

IBC's director of media and digital communications, Steve Kee, gave the example of Ontarians' access to "dynamic insurance products and services," including UBIP, which customizes the price of insurance based on a person's driving habits, rewarding good drivers with lower premiums. It generally consists of a device that a customer installs in his or her vehicle, or it can be an application installed on a smartphone, either of which allows an insurer to track distance driven and driving behaviours. The devices collate the information, which is then sent to the insurer to determine a price for insurance.

Ontario's insurance regulator, the Financial Services Commission of Ontario (FSCO), imposes restrictions on insurers' use of UBIP through Bulletin No. A-16/16. The restrictions in the bulletin include the ways in which consumers can be enrolled in UBIP, and the ways in which insurers can use the data collected through the UBIP device. Proposed UBIP models may first be reviewed by FSCO for comment, following which an insurer would make a formal filing for the Superintendent's approval.

Quebec

Autorité des marchés financiers (AMF)

AMF Director Louise Gauthier advises that new AMF Superintendent of Clients Services and Distribution Oversight Frédéric Pérodeau will attend CLHIA Session in Calgary
In conversation with B. Wycks following CAFII's 21 February 2018 meeting with CCIR's Fair Treatment of Consumers Working Group with respect to its plans to issue "Insurance Industry Guidance" on the Fair Treatment of Customers, Louise Gauthier, Directrice principale des politiques d'encadrement de la distribution at the AMF, advised that Frédéric Pérodeau, successor to Eric Stevenson as Superintendent, Client Services and Distribution Oversight (*surintendant de l'assistance aux clientèles et de l'encadrement de la distribution*) -- and her new boss -- would definitely be in attendance at the 2018 CLHIA Compliance and Consumer Complaints Conference in Calgary from 2-4 May 2-4 2018. CAFII will endeavor to arrange a get-acquainted liaison meeting with Mr. Perodeau at that conference. Ms. Gauthier also mentioned at the CCIR meeting that the Committee on Public Finance of the National Assembly of Québec had begun its clause by clause examination of Bill 141, and that officials from the Québec Ministry of Finance, and the AMF, would be participating in person in this exercise.

International / Thought Leadership

Financial Conduct Authority (FCA)

Britain's Financial Conduct Authority (FCA) to launch probe into alleged insurance discrimination
Paul Lucas reports in a 14 February, 2018 article that the Financial Conduct Authority (FCA) is set to extend its consumer data research to examine whether names can impact the cost of car insurance cover.

Concerns have been raised that insurance computer programs are often singling out people with certain names as posing a higher risk – the investigations both suggested that ethnic minorities are discriminated against as simply changing the name on a quote search (and leaving all other details unchanged) can lead to a hike in the price offered. Insurers, for their part, deny using race to set premiums.

Cake & Arrow

Recommendations from Cake & Arrow on how to improve digital sales of insurance to consumers
Christina Goldschmidt of Cake & Arrow states that when it comes to digital transformation, the insurance industry lags woefully behind other industries, and it is not just a question of technology. Even

Geico, the darling of online auto insurance sales, still closes the majority of its new policies on the phone, via an agent.

Based on research done at Cake & Arrow, a series of recommendations were made for insurers who want to be more effective in selling directly to consumers:

1. Establish consistent workflows.
2. Invest in quality visual design.
3. Implement a killer content strategy.
4. Enable the right level of customization.
5. Play around with promotions.
6. Leverage user-generated content.

Thomas Cook

Thomas Cook partners with fintech firm for pay-per-day travel insurance
Reuters reported that British travel company Thomas Cook has partnered with fintech firm Revolut to launch a "pay-per-day" travel insurance service which automatically provides users with medical cover by tracking their location through their mobile phones.

Revolut, the digital bank start-up, said it could pinpoint customers' location through its app technology and automatically turn on the coverage when required, starting at less than 1 pound ($1.38) a day. "We wanted to create a type of insurance that uses technology to help our customers and only cover you on the days you actually needed to be covered," Revolut CEO Nikolay Storonsky said in a statement.

Life Insurance Marketing and Research Association (LIMRA)

LIMRA International Study on Top Concerns of Industry Executives
A new LIMRA survey of more than 300 industry executives across 47 countries revealed 4 in 10 consider talent management to be their top challenge in the coming years. This is higher than results collected in LIMRA's 2015 study, where just 34 percent cited talent management – hiring and retaining good employees - as their top challenge. Looking only at responses from CEOs and presidents, 35 percent listed talent management as their top challenge.

The second most common challenge cited by industry executives was technology. Forty-one percent of all executives listed technology as one of the top five challenges they face in 2017. More CEOs and presidents consider this a higher priority, with nearly 6 in 10 citing technology as a concern. While technology wasn't one of the top five concerns from LIMRA's 2015 study, it is clear executives are more concerned with keeping up with technological processes, implementing automation and digitizing operations to remain competitive.

Concerns around regulation are more top of mind for CEOs and presidents. Forty-six percent of CEOs and presidents list regulation as a one of their greatest challenges, compared to only 25 percent of executives overall. However when specifically asked about which external forces would have the biggest impact in the next five years, regulation came out number one with 57 percent.

LIMRA: boomers most likely to look for life insurance information online
New research by LIMRA has found that members of the Baby Boomer generation in the U.S. are most likely to use online information when shopping for life insurance when compared to other generations. The study found that 61 per cent of Boomers say they found online information "to be very useful," compared with 58 per cent of Millennials and 54 per cent of Gen Xers.

"Conversely, Millennial and Gen X consumers are more likely to consult with friends and family to learn about life insurance (26 per cent and 21 per cent respectively)," says LIMRA's research. This may be because "younger consumers may have less familiarity with life insurance products and therefore, may feel more comfortable relying on people they trust rather than online sources," suggested study researchers.

The research also found that Millennials are more likely to work with a financial professional than older generations (38 percent of Millennials compared to 34 per cent of Gen Xers, 31 per cent of Boomers and 28 per cent of members of the Silent Generation). "While this may be contrary to what most people would think, it is a trend in the life insurance industry. The younger generations don't always have as much knowledge in this area and often start out having more questions and working with a financial professional is the best way for them to learn and understand. The trend shows as the buyers age they feel more comfortable using other purchasing methods," says LIMRA.

Social Media

Fight for insurance benefits highlights dangers of social media, says lawyer
Canadian Press reported on 21 February 2018 on the case of a Montreal writer who said his insurance company refused to pay him disability benefits due in part to online postings. Lawyers say that this is a reminder to people to watch what they put on the Internet.

Literature professor Samuel Archibald published a letter in Montreal newspaper *La Presse* earlier this month detailing his struggles to get disability benefits after being diagnosed with severe depression. Archibald wrote that his insurer had refused his claim in part because of photos on Facebook and Instagram that showed him jogging or playing with his children.

Lawyer David Share says companies are increasingly using social media as a quick and easy way to find grounds to deny insurance claims. He says that while the issue of social media monitoring raises privacy concerns, thus far there are few government regulations in place to stop it. Share says the best advice is for people to be very careful about what they post online.

International Business Machines (IBM)

Complacency could be the undoing of insurance executives - IBM

Lucy Hook reported on 23 February 2018 that while three in four senior executives believe insurtechs are disrupting the industry, just 43% see the same disruptive effect in their own business, according to new research from tech giant IBM.

The report, which found that insurance companies that either invest in or work alongside insurtechs tend to perform better than insurers that do not, identified an interesting trend in the perceptions of insurance's c-suites. "Part of this is complacency, and part of this is the feeling that they have a better understanding of things than their peers," Mark McLaughlin, IBM's global insurance director told *Insurance Business*.

While cognitive bias is not an uncommon finding in studies of top executives, according to McLaughlin, even those insurance execs that overestimate the disruptive effect on the industry, while underestimating their own, will be disrupted "more than they imagine right now."

"A lot of this also comes down to availability bias. C-suite leaders spend much of their time working on their own problems and strategies, so their perception of their own business can be, 'it's too complex to disrupt,' and their knowledge of potential disruptors can be scarce and simplistic," the director said. "There are plenty of past examples of senior leaders underestimating this phenomenon, in industries more forward-thinking than insurance."

IBM's report, *'Friend or foe?: Insurtechs and the global insurance industry,'* found that 81% of outperforming insurers have either invested in, or are working with insurtechs – suggesting that addressing the wave of new disruptors is critical to the future success of incumbents.

Appendix A
CAFII Alerts January 16 2018 – February 25 2018

Date of Email Alert	Topic of CAFII Alert
23 February 2018	Quebec brokers' association calls online insurance sales "a looming disaster"
21 February 2018	THiA Releases New Travel Health Insurance Bill of Rights & Responsibilities
14 February 2018	Bills 141 and 150 -- CAFII Opposes l'Association Professionnelle des Conseillers en Services Financiers (APCSF) and Calls for Further Clarification
12 February 2018	CCIR Developing Guidance to Enhance Consumer Protection
12 February 2018	Lavery welcomes Eric Stevenson, ex-superintendent, client services and distribution oversight at the AMF
12 February 2018	Links to three articles in the Invesment and Insurance Journal, along with English translations of those articles: *Quebec Bill 141 -- Selling Insurance Over The Internet Raises Profound Differences; IBC Requests Adoption Before 2018 Quebec Provincial Election; and The Main Provisions of Bill 141*
2 February 2018	Beware of unforgiving and aggressive regulators
24 January 2018	Quebec brokers concerned about regulatory 'vacuum' on web sales