

CAFII Executive Operations Committee Meeting Agenda

Date: Tuesday, January 21, 2019

Location: BMO Insurance, 6th Floor Boardroom, 60

Yonge St., Toronto

Zoom: <https://zoom.us/j/4164770921>

Chair: M. Boyle

Time: 2:30 – 5:00 p.m. EST

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

Pin #: 1500

Item	2:30 p.m.	Presenter	Action	Document
1. Call to Order		M. Boyle		
a. Welcome to New EOC Members/Guests				
2. Consent Items	2:32 p.m.	Presenter	Action	Document
a. Regulatory Update				✓
b. Consultations/Submissions Timetable				✓
c. Regulator and Policy-Maker Visit Plan				✓
d. Summary of Board and EOC Action Items				✓
e. CAFII Meeting Request Letter To AMF Re Credit Card-Embedded/Inclusive Benefits				✓
3. Governance Matters	2:37 p.m.	Presenter	Action	Document
a. Draft Minutes of November 19/19 EOC Meeting		K. Martin/B. Wycks	Approval	✓
b. Draft Minutes of December 3/19 CAFII Board Meeting		K. Martin/B. Wycks	Approval	✓
c. CAFII Research & Education Committee Chair Appointment		K. Martin/M. Boyle	Approval	
d. Application Review and Admission of Sun Life Financial As A CAFII Initiation Member		B. Wycks	Update	✓
e. Launch of EOC Working Group To Explore A New Lower Dues Category Of CAFII Membership		M. Boyle	Update	✓
f. Date And Agenda Items For CAFII Special Purpose Board Teleconference Meeting		B. Wycks	Update	✓
4. Financial Management Matters	3:00 p.m.	Presenter	Action	Document
a. Financial Statements as at December 31/19 (full 2019 fiscal year)		T. Pergola	Update	✓
b. Revised Draft CAFII 2020 Operating Budget		T. Pergola	Update	
5. Committee Updates	3:20 p.m.	Presenter	Action	Document
a. Research & Education			Update	
i. 2020 Research Options		K. Martin	Update	
b. Market Conduct & Licensing		B. Kuiper	Update	
i. CAFII Response Submission To FCNB Consultation On RIA Regime		K. Martin/B. Wycks	Update	✓ (2)
ii. CAFII Response Submission To FSRA Consultation On New Guidance Framework		K. Martin/B. Wycks	Update	✓
c. Media Advocacy		C. Blaquiere	Update	✓
i. 2020 Website Enhancements		K. Martin	Update	✓
ii. Opportunity For CAFII CPI Opinion Piece In Canadian Business Quarterly		K. Martin	Update	✓
d. Travel Medical Insurance Experts		A. Baig	Update	
e. Networking & Events		S. Kirby/J. Lewsen	Update	
6. Recent and Upcoming Strategic and Regulatory Initiatives	3:45 p.m.	Presenter	Action	Document
a. CAFII-Requested Early 2020 Meeting with FCAC Staff Executives For CAFII Presentation On "Credit Protection/Authorized Insurance Products Sales and Fair Treatment of Consumers"		B. Wycks/K. Martin	Update	✓
i. Engagement of Dog and Pony Studios For Preparation Of Professional Calibre Presentation Deck		K. Martin	Update	✓
ii. Launch of CPI Sales Subject Matter Experts Working Group To Provide Feedback On Content and Design Of Dog and Pony-Developed Presentation Deck For FCAC Meeting		K. Martin	Update/ Discussion	
iii. Engagement of Willis Towers Watson To Provide Key Data Points For Presentation Deck		K. Martin	Update	✓
b. CAFII Launch Of Quarterly Credit Protection Insurance Benchmarking Study – Update and Next Steps		K. Martin	Update	✓ (4)
c. CAFII Credit Protection Insurance Industry Best Practices Working Group: Progress Report		M. Boyle/K. Kasperski	Update	✓
d. AMF December 20/19 Communique Re Operational Incident Reporting		M. Boyle	Discussion	✓
e. AMF Review of Critical Illness Insurance		M. Boyle	Update	

f.	CAFII Views/Arguments Content To Be Used In Meeting With AMF On Credit Card-Embedded/Inclusive Benefits	B. Wycks	Discussion	✓
g.	Proposed Approach and Target Dates For CAFII Spring 2020 Atlantic Canada Insurance Regulators and Policy-Makers Visits	B. Wycks	Update	✓

7.	Other Business	4:30 p.m.	Presenter	Action	Document
a.	Possible CAFII Working Group on Regulatory Relationship-Building, Communications, and Advocacy Re Credit Card-Embedded Insurance Benefits		B. Wycks/A. Stuska	Update	✓

8.	In Camera Session	4:40 p.m.	Presenter	Action	Document

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

EOC Annual Appreciation Dinner: will immediately follow this January 21/20 EOC meeting, from 5:30 to 8:00 p.m. at Lena Restaurante, Sala Dos, 176 Yonge St., Toronto

Next EOC Meeting: Tuesday, February 24, 2020, 2:00 p.m. – 4:00 p.m. teleconference-only meeting

Annual Members' Luncheon: Thursday, March 26/20 from 11:45 a.m. to 2:15 p.m., featuring Judith Robertson, Commissioner, FCAC as guest speaker, at TBA, Toronto

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

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

Prepared By Keith Martin, CAFII Co-Executive Director

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Federal/National

CCIR / CISRO

CCIR / CISRO Issues its Fall 2019 Communique on 2 December, 2019

CCIR / CISRO issued its Fall 2019 Communique on 2 December, 2019, in which it noted that the CCIR held its Fall meeting in Winnipeg, Manitoba on 26 and 27 September, 2019. At that meeting the CCIR welcomed Blair Morrison, the new CEO of the BC Financial Services Authority (BCFSA), to his first meeting. The communique also noted that the CCIR and CISRO had met together formally for the first time and discussed areas of common interest, such as travel insurance, fair treatment of customers (FTC), Fintech, segregated funds and each organization's strategic plan.

The Communique notes that the Fair Treatment of Customers Working Group (FTCWG) released its inaugural communique on November 4 highlighting discussions with stakeholders and responding to specific questions about the FTC guidance. The FTCWG has engaged industry representatives, from both the manufacturing and distribution sides, to learn about compensation and incentive structures, and the communique states that industry has volunteered to help the FTCWG better understand the schemes currently in market.

The Communique notes that in June 2019, the International Monetary Fund (IMF) published the 2019 FSAP report for Canada. During the assessment, the IMF discussed with CCIR that significant progress has been made in market conduct oversight in the insurance sector, particularly with respect to CCIR's Memorandum of Understanding and Protocol on Cooperation and the Exchange of Information, Annual Statement on Market Conduct, and the jointly issued CCIR/CISRO Guidance on Conduct of Insurance Business and Fair Treatment of Customers. While the IMF acknowledged the high quality of financial sector oversight, it also found that, "cooperation between federal and provincial authorities should be further improved, supported by additional memorandums of understanding (MoUs)" and CCIR continues to work with other regulators on this matter.

The CCIR's 2020 Winter Call is scheduled to take place on January 23, 2020.

Adrienne Warner Accepts Another Opportunity Within the National Regulatory Coordination Branch, Munir Chagpar Joins CCIR Secretariat

In a 7 January 2020 email from CCIR Secretariat member Tony Toy to Brendan Wycks, Mr. Toy notes that "Adrienne Warner has accepted another opportunity within the National Regulatory Coordination Branch and (is) no longer supporting CCIR," and that Munir Chagpar had recently joined the CCIR Secretariat. Mr. Chagpar has worked in the Ontario government for the past 15 years, including nearly 4 years at FSCO as a Senior Policy Consultant and Fintech Advisor.

C.D. Howe Institute

C.D. Howe Institute Re-Appoints Frank Swedlove as a Senior Fellow

On 5 December, 2019 the C.D. Howe Institute announced that it had re-appointed Frank Swedlove as a Senior Fellow.

Frank Swedlove is President of Swedlove Consulting Inc., a public policy consulting company. From July 2007 to June 2017 he was President and CEO of the Canadian Life and Health Insurance Association. Established in 1894, the CLHIA has 67 members accounting for 99 per cent of the life and health insurance in force in Canada.

Mr. Swedlove also served as the first Chair of the Global Federation of Insurance Associations (GFIA) from 2012 to 2014. The Federation represents the interests of the insurance industry worldwide with 38 Associations representing 87 per cent of the insurance premiums worldwide.

C.D. Howe Institute Appoints Brian Mills as a Senior Fellow

On 11 December, 2019 the C.D. Howe Institute announced that it had appointed Brian Mills as a Senior Fellow.

Mr. Mills responded to the appointment as follows: "As the Superintendent of Financial Services (Ontario), I benefited from the C.D. Howe Institute's unbiased research on many regulatory policy issues and forums on those matters. I am very excited to be part of this great Institute as a Senior Fellow." In early June, 2019, Brian Mills retired after completing the wind-up of the Financial Services Commission of Ontario (FSCO), with the successor regulator, Financial Services Regulatory Authority (FSRA) taking over on June 8, 2019.

Mr. Mills was appointed CEO and Superintendent of Financial Services at FSCO on October 17, 2014, having previously served several years as FSCO's Deputy Superintendent, Pensions.

Bank of Canada

Bank of Canada Official Recommends New Collaborative Approach to Cyber-Security Threats between Regulators and Industry

Canadian Press reported on 14 November, 2019 that government bodies and the private sector need more ways to share information about cybersecurity threats, and that may require new regulations or legislation, according to comments made by a Bank of Canada official.

Filipe Dinis, the central bank's chief operating officer, said in a speech to a cybersecurity conference in Toronto that sometimes the regulatory frameworks that are designed to protect institutions and customers "can get in the way" of collaboration.

The Bank of Canada is shown in Ottawa on Wednesday, April 24, 2019. A senior official from the Bank of Canada says government and the private sector need to develop more ways to share information about the cybersecurity threats they're detecting on a regular basis.

“Our regulatory environment has historically focused on protecting privacy and promoting competition. These are important objectives, but we need to increase our focus on the resilience of the financial sector.”

That means it’s necessary to reconsider current regulations and think about the necessary tradeoffs between cybersecurity, competition and privacy, he said. Dinis didn’t recommend specific changes but said “at a minimum, regulatory frameworks should not be an impediment to collaboration.”

Among his suggestions: put in place secure channels to transmit sensitive information between companies, agencies or other trusted sources and government-mandated testing throughout industries and between sectors of the industry. He also suggested Canadian regulations and terminology be compatible with international norms to help cross-border collaboration and decrease opportunities for companies to exploit jurisdictions with weaker cybersecurity regulations.

Dinis gave his speech to a conference organized by the Information Technology Association of Canada, about a week before the Bank of Canada releases a semi-annual report on the state of the country’s financial system. Recent reports have stated that threats to cybersecurity are a top concern and Dinis said he expects that will be the case in the next update.

He said there have been improvements to the Bank of Canada’s cybersecurity protections over the past five years – including a new operations centre in Calgary that can take over the central bank’s critical functions in an emergency. But he added the best defence for Canada’s overall economy is broad collaboration and information sharing – particularly in critical industries such as banking, telecommunications, energy and transportation.

“Some of that is occurring now. I’d love to see more,” Dinis said. He emphasized, repeatedly, that he’s “very mindful” of the need for privacy protections but added that the ideal collaboration would allow the free flow of information about detected threats between trusted partners.

“Ideally, when I’m talking about sharing information – threat information, in particular – that would occur within a trusted environment and it would occur across sectorial ecosystems (such as the financial and telecom sectors).” Dinis didn’t address specific Canadian security or data breaches but his comments come after Desjardins Group reported on Nov. 1 that all 4.2 million members of its financial co-operative had personal information stolen in a security breach, up from the original estimate of 2.9 million customers when the breach was disclosed in June.

Quebec provincial police, the province’s access to information commission and the federal privacy commissioner are investigating the Desjardins breach.

Provincial/Territorial

British Columbia

Stikeman Elliott

British Columbia's Amendments to Financial Institutions Legislation: Impact on the Insurance Sector

On 28 November, 2019 Stikeman Elliott offered an analysis of British Columbia's Amendments to the Financial Institutions Legislations, excerpts of which are included below.

On November 20, 2019, the Legislative Assembly of BC approved in Third Reading the Government's Bill 37 the *Financial Institutions Amendment Act, 2019* (BC) (Bill 37), introduced by the Minister of Finance on October 21, 2019, and amended in Committee in part on November 20, 2019. The vast majority of the provisions will come into force at a future date by regulation. Bill 37 in conjunction with the *Financial Services Authority Act, 2019* (BC) (the FSA Act) will introduce significant changes to British Columbia's financial services regulatory structure.

Among other things, Bill 37 will amend the *Financial Institutions Act (BC)* (the FIA). This posting discusses some of those amendments relevant to the insurance sector.

The first significant change took effect on November 1, 2019, under the FSA Act, when the BC Financial Services Authority (BCFSA) became the successor to the Financial Institutions Commission of BC (FICOM). The BCFSA will take on increased independence as a Crown agency accountable to the BC Legislature through the Minister of Finance. The BCFSA is intended to become a self-funded Crown agency receiving fees from its stakeholders but not contributing those funds to BC's general provincial revenues.

The BCFSA will be granted enhanced regulatory roles under the FIA, as the provisions of Bill 37 are proclaimed in force. Some of these amendments will establish new regulatory requirements for the insurance industry's operations in BC. Some of these requirements will not be clarified until the details are available in the applicable rules and regulations. The process of making rules will involve public consultation prior to their effective dates. Amendments not dependent on rules for implementation will require no further consultation and can be brought into force by regulation.

When in force section 43 of Bill 37 will expand regulatory powers to provide the BCFSA with rule-making authority that would allow it to create legally-binding obligations, subject to mandatory public consultation and the minister's consent. By contrast, to date, FICOM's (and BCFSA's current) authority has been limited primarily to the issuance of "guidelines" interpreting current regulatory requirements. The BCFSA's rules would be given status similar that afforded the rules issued by other rule-making authorities such as the BC Securities Commission (accomplished by section 131 of Bill 37 adding the BCFSA's rules to the Schedule to the *Regulations Act*). Bill 37 does not clarify what processes will be involved, or what opportunities for stakeholder input will be available, in the mandatory public consultation or the ministerial approval of issuance, amendment or repeal of any rule.

The BCFSa's rule-making authority will cover the majority of regulatory requirements, including capital requirements, institutions' governance, market conduct, online insurance offering and sales, oversight by restricted insurance agent licenses of their employees and agents, operations and risk oversight, and funding requirements for reciprocal exchanges. Bill 37 expressly permits the BCFSa to adopt guidelines or rules of other regulatory authorities, without needing to adopt any guideline or rule in its entirety, enabling the BCFSa to establish distinct standards for BC. The BCFSa would also have the authority to exempt any persons or entities from any of its rules. The BCFSa's rules cannot amend regulations made by the Lieutenant Governor in Council and, in the event of any conflict, the regulation made by the Lieutenant Governor in Council prevails over the BCFSa's rule.

Bill 37 (section 79(g)(4)) enables the Lieutenant Governor in Council (but not the BCFSa) to make regulations under the FIA that will have some bearing on the effect of provisions in the *Insurance Act*. Those regulations will be enabled under the following paragraphs of section 289 of the FIA:

- (e.1) to allow regulations under the FIA to prohibit denial of insurance claims for innocent misrepresentation or omission;
- (e.2) to establish grounds for voiding a contract entered without an agent and to prohibit such voiding in absence of those grounds; and
- (o.21) to allow the Lieutenant Governor in Council to prescribe under the FIA that certain circumstances would limit or disallow application of certain sections of the *Insurance Act* (BC) or the Statutory Condition 1.

On application by the BCFSa to the Supreme Court of BC, the Supreme Court will be authorized to liquidate and dissolve an insurance company that has not, in the previous year, undertaken certain activities falling within the statutory definition of "*insurance business*" (except as may be necessary to windup the business). Such situations would arise where the company had not, in the previous year, issued or delivered a contract of insurance or a receipt for any contract of insurance, granted an annuity on a life or lives, received or collected any premium for a contract of insurance, or adjusted any loss. The Court may also liquidate and dissolve the company if its business authorization has been revoked (voluntarily or by order), if the company is noncompliant and it is in the public interest to liquidate and dissolve it, or the Court considers it otherwise just and equitable (s. 6 of Bill 37).

Anyone conducting insurance business online will have to meet the requirements of the new regime regulating the online sales of insurance to be governed by both rules made by the BCFSa (s 12 of Bill 37) and by regulations made by the Lieutenant Governor in Council. Bill 37 will enable the Lieutenant Governor in Council to make regulations prescribing requirements for use of "*electronic agents*" in the issuance, delivery or undertaking of insurance contracts, including documents, disclosures, standardized wordings, rights of rescissions, data collection and data use and to make regulations prohibiting post-claim underwriting for online sales (s. 79 of Bill 37).

Insurance companies (but not reinsurers) will be required to adopt, and comply with, a code of market conduct established and amended from time to time by the BCFSa. Bill 37 does not restrict the BCFSa to a particular model code. However, the legislative debates (transcribed in draft form) indicated an

expectation that the BCFSA would adopt the same code as adopted nationally from time to time. Reinsurers will not be required to adopt or comply with the code (s. 14 of Bill 37).

Bill 37 provides the framework for BC to establish a regulatory regime for restricted insurance agent licenses. The Insurance Council of BC will be authorized to issue restricted insurance agent licenses to certain persons, namely to a prescribed class of persons or to persons carrying on a prescribed class of insurance business (s. 31 of Bill 37). The license will authorize that licensee *through its employees and agents* to act as an insurance agent in respect of the prescribed classes of insurance specified in that license. To give effect to this new license, Bill 37 authorizes the Insurance Council of BC to make rules establishing this regime including its education requirements, specific mandatory disclosures and standardized wordings and restricting post-claim underwriting by those licensees, their employees and their agents (s. 60 of Bill 37).

Ontario

Financial Services Regulatory Authority (FSRA)

FSRA Selects Stakeholder Advisory Committee (SAC) Members—CAFII is Represented on Life and Health Insurance SAC

Insurance Portal reports that the Financial Services Regulatory Authority (FSRA) of Ontario has finalized the membership of six stakeholder advisory committees (SACs) that will advise FSRA's board of directors going forward, beginning in November, when the committees will provide input on the regulator's proposed 2020-2021 priorities and budget.

The six committees – one each for property and casualty (P&C) insurance, life and health insurance, mortgage brokering, pensions, health service providers and credit unions – inform FSRA's annual business planning before the plan is delivered to the Minister of Finance, provide feedback on progress made by FSRA on its priorities from previous annual business plans, and provide feedback to the board on FSRA's rule-making activity.

Committees range in size from 12 members to 16 members and include representatives from regulated entities, associations of regulated entities or regulated professionals who are senior members of their respective organizations or professions.

The life and health committee is the largest, with 16 members while the P&C panel is comprised of 13 members. Each member, most of whom are familiar names in their respective industries, will serve a 12-month term, which may be renewed for another term to stagger membership and provide continuity. FSRA says it intends to publish high-level meeting summaries three weeks after each SAC meeting with FSRA's board.

The Life and Health Insurance committee is made up of the following members:

Susan Allemang	Independent Financial Brokers of Canada
Nancy Carroll	McCarthy Tetrault
Dennis Craig	RBC Insurance
Chris Donnelly	Manulife Financial
Lyne Duhaime	CLHIA
Ali Ghiassi	Canada Life
Moirra Gill	TD Insurance
Keith Martin	CAFII
Glenn O'Farrell	OLHI
Rosie Orlando	Primerica
Neil Paton	The Third Party Administrators' Association of Canada
Douglas Paul	SSQ
Russell Purre	Sun Life Financial
Ed Skwarek	Advocis, The Financial Advisors Association of Canada
Eric Wachtel	CAILBA / IDC Worldsource Insurance Network Inc.
Timothy Witchell	HUB International

FSRA releases principles for standardizing guidance

The Financial Services Regulatory Authority (FSRA) of Ontario, the province's new, independent financial services regulatory agency, has released its principles for standardizing guidance.

In a statement, FSRA said it is committed to ensuring that stakeholders and consumers have clarity around their legal requirements and expectations across regulated sectors.

"Our new approach to standardizing guidance makes it easier to do business for those sectors in Ontario," FSRA said. "It also makes us a more effective regulator. The public, new entrants and incumbents can better understand what is legally binding, what is FSRA's interpretation or application of law and what information is designed to be helpful."

The framework will use accountability, effectiveness, efficiency, adaptability, collaboration and transparency as the principles behind the department's approach to guidance. FSRA supervises and regulates a number of different sectors, including insurance, pensions, loans and trust corporations, credit unions and mortgage brokers. It assumed the regulatory duties of the Financial Services Commission of Ontario and the Deposit Insurance Corporation of Ontario in June.

"Standardizing our approach to guidance will make it easier to do business in those sectors, and will make us a more effective regulator. It will be easier for the public, new entrants and incumbents to understand what is legally binding, what is FSRA's interpretation or application of law and what information is designed to be helpful."

Under the framework, regulated persons must put in place processes, controls and procedures to appropriately meet the expectations expressed in FSRA's guidance. The FSRA statement said it will consult publicly on interpretation and approach guidance unless immediate action is required. Once guidance is approved, the department said it will regularly review the guidance to promote "burden reduction" and effective regulation by updating or removing outdated items.

CAFII's Market Conduct Committee is engaged in developing a submission on this matter from CAFII.

2019 Insurance Brokers Association of Ontario (IBAO) Conference

Speakers at 2019 Insurance Brokers Association of Ontario (IBAO) Conference Asked if MGAs Should be Regulated

Canadian Underwriter notes that Managing General Agencies (MGAs) in Canada have been attracting attention in the industry recently, and not just because of their hybrid status as both distributors and underwriters of insurance products. Their regulatory status in Canada is nebulous, and some are beginning to take a second look at their unique business model.

The newsletter notes that whether MGAs should be regulated was put as a question to insurance company CEOs who appeared at the Insurance Brokers Association of Ontario (IBAO) Conference in Toronto in October, 2019.

"I think MGAs exist because companies are supporting them, and because brokers need them," commented Louis Gagnon, Intact's president of Canadian operations. "They exist because of market forces. I would try to make sure that it is very smart regulation, if there is any [regulation of MGAs]. We have enough regulation. I think it would have to be very, very smart regulation."

As reported in *Canadian Underwriter* in October, Ontario's new financial regulator is reviewing the sales process of MGAs, although it does not have the authority to license them. "I don't have the authority to do that, so I'm not going to," Mark White, CEO of the Financial Services Regulatory Authority of Ontario (FSRA), said of licensing MGAs at a recent speech at the Insurance Institute of Canada. "But I do have to look at the complete sales process that affects the public, so we are going to be looking at that."

FSRA is not reviewing the MGA sales process because it has any concerns about market conduct. The goal is simply to gain a better understanding of how MGAs interact with the public during the sales process. This same point was made to the Sectoral Advisory Committee on Life and Health Insurance, of which CAFII is a member, at the 28 November, 2019 meeting with FSRA's Board of Directors.

MGA regulation is shrouded in ambiguity, at least in Ontario. Discussion about it is rooted in the hybrid nature of the business model. Put in very basic terms, MGAs act as brokers to the brokers. In other words, if a "retail brokerage" – an intermediary between customers and carriers – can't find a certain type of coverage for a client, an MGA can help to place (and even underwrite) the coverage on behalf of the retail broker.

It is estimated that between 12% to 15% of Canada's insurance business is placed through MGAs, said Heather Masterson, president and CEO of Travelers Canada, who spoke at the CEO Panel. "They catch business that's tough to write, that's specialized, and they catch business for brokers – certainly smaller brokers – that need more market availability, so they play a very important role."

Quebec

Revenue Quebec

Quebec MGAs Being Slapped with Multimillion-Dollar HST Tab

Insurance Portal reports that Revenu Québec has begun to audit managing general agencies' commission income prior to levying the harmonized sales tax (HST) on their gross income, including commissions received from insurers for services provided to advisors. Some firms have already received a notice of assessment. The bottom line: MGAs may have to fork over millions of dollars to Revenu Québec.

Revenu Québec's strict interpretation of the federal income tax act has been triggering shockwaves since 2016. The organization considers services rendered by MGAs as administration or promotion activities, rather than services provided directly to consumers. These services are therefore not exempt from sales taxes, the Quebec tax authorities argue.

The Canada Revenue Agency (CRA) authorized Revenu Québec to collect the HST. This system exists only in Québec; in the other provinces, Revenue Canada collects the goods and services tax (GST). Yan Charbonneau, President of AFL Groupe Financier, thinks Revenu Québec's stance may jeopardize the future of many MGAs. "The tax is being applied four years retroactively. Everyone expects to receive their assessment any day now. We received it, and are being charged a few million dollars," Charbonneau told *The Insurance Portal*.

The AFL president adds that each contribution will be at least \$1 million depending on the amount of income involved. "The amounts in question are high enough to crush MGAs. Many will fail," he says. Multi Courtage, an MGA based in Saint-Hyacinthe, is currently being audited but has not yet received the tax assessment. "Revenu Québec told me I will have 21 days after receiving the notice to decide whether or not to contest it," president Guy Duhaime told *The Insurance Portal*. For now, he must submit reams of accounting information by January 31, 2020, including all the general ledgers from January 1, 2016 until September 30, 2019.

He is dreading the assessment, which he expects to receive in the first half of 2020. "Small and midsize MGAs have received notices of several million dollars. For the largest ones, we extrapolated that it may cost them over \$10 million. No business can bear a burden of this size," Duhaime explains. MGAs have two allies in this saga: the Canadian Life and Health Insurance Association (CLHIA), which represents insurers in dealings with Revenue Canada, and CAILBA, the Canada-wide association of MGAs.

“We have been discussing this matter with the CRA since 2017,” Lyne Duhaime, president of CLHIA-Québec told *The Insurance Portal*. Revenu Québec had initially been very active, she adds. The agency then put MGA audits on the back burner but revived them in 2019. “This caught our attention, and we began discussions with Revenu Québec to understand why it was continuing with these audits. Discussions with the CRA will also continue,” Duhaime says. She declined to divulge the nature of these communications. “There is certainly divergence between the position of the tax authorities and that of the industry, and that is what we are trying to resolve,” she says.

The MGAs claim that Revenu Québec’s renewed efforts were sparked by the case involving Applewood Holdings, an automobile dealer whose insurance services Revenue Canada wanted to tax. The agency stated in January 2019 that it would not appeal a judgment handed down by the Tax Court of Canada that ruled that commission income earned from sales of insurance by a dealer was not taxable. Yet, Revenue Canada added that this decision would not change its position regarding MGAs. Revenu Québec seems to have taken this case as a signal to resume its audits.

New legal rulings will likely clarify this issue further. The CLHIA and MGAs have confirmed that a case involving an Ontario MGA and the GST is currently wending its way through the courts.

International Developments, Research, and Thought Leadership

PolicyAdvisor.com

Study shows Canadians are Overwhelmingly Underinsured

Life Health Professional reports that new research from Canadian online insurance brokerage PolicyAdvisor.com, finds that an overwhelming majority of Canadians with dependents are significantly underinsured and have not acknowledged the severity of their situations.

In its inaugural *State of the Nation: Canadian Life Insurance Trends 2019* report, the firm shared insights on consumer trends and attitudes surrounding life insurance ownership, needs, knowledge and digital appetite. The report drew from a SurveyMonkey panel of more than 500 qualified Canadian respondents who indicated they had financial dependents.

“The findings were eye-opening, to say the least,” said Jiten Puri, founder and CEO of PolicyAdvisor.com. “We had some general expectations about what we would learn, but some of the hard numbers paint a starker picture about financial unpreparedness than we had anticipated.”

Among those surveyed, nearly half (49%) said they had never purchased life insurance before. And of those who said they have a life insurance policy, 40% reported having coverage only through a work or group benefits plan.

“While a life insurance policy through one's employer is better than none at all, in most cases the coverage is minimal, and maybe equivalent to only one or two years of the policyholder's salary,” Puri said.

Someone who leaves their workplace or association, he added, stands to lose their coverage as well as the early years they could have spent paying for individual coverage at a lower cost. “While a group policy is a nice top-up, it should not be the primary source of one's coverage,” he said.

And while the Financial Consumer Agency of Canada (FCAC) recommends having life insurance coverage that amounts to seven to 10 years of the policyholder's annual salary, 91% of Canadians with dependents don't meet that recommended level. Over half (54%) had coverage not exceeding two years of their annual salaries; just 22% said they had five years' worth, and only 9% fell within insurance experts' recommended range of 10 years' worth of coverage.

All in all, the survey found that the average Canadian with financial dependents had a self-reported life insurance shortfall of roughly \$256,000 — a gap that respondents have not done anything to address. These could be related to a broad lack of literacy and awareness, with just 35% of respondents saying they understand what's included in their own policy and a mere 22% acknowledging that they review their life insurance needs every year.

But on a positive note, technology appears to offer a path forward. Seventy per cent of Canadians surveyed indicated that they would use digital platforms to do research and/or purchase life insurance online.

KPMG

KPMG Report States that the 'one-size-fits-all' Approach to Insurance no Longer Works

To better serve millennials, insurance companies in Canada should not only be willing to transform their business approaches, but also capable of utilizing big data, a new report from KPMG suggests.

According to KPMG's new report, “*Insurance frontiers: Here to horizon*,” 86% of chief executives at insurance companies surveyed said that they are concerned over how millennials will change their business — particularly when millennials are not following historical norms in terms of predicted life paths or milestones.

The report also found that 84% of Canadian millennials do not trust traditional advertising. Ninety five per cent (95%) also said that the most credible source of product information is their friends.

“The insurance industry will look radically different in 10 years from how it does today,” said KPMG partner and national insurance sector leader Chris Cornell.

KPMG suggests that data will allow insurers to better understand their customers “in ways not previously possible.” Insurance companies can use big data to inform assumption setting, better understand risk drivers, anticipated behaviours or events, make quicker underwriting decisions, and support strategies and decisions.

“Forging a new path won’t be easy; insurers must digitize their operations, products, and processes, and use data-driven insights to address this seismic shift in customer dynamics. The one-size-fits-all approach won’t work anymore,” Cornell commented.

All people generate a lot of data – from the day they are born to their death, Cornell explained. To harness this potential, insurers have to put into place stronger data collection and analysis tools. Cornell says this requires a “total rethink” of how to collect, store, analyze, and use data.

KPMG also found in its report that while insurtechs have helped accelerate the rate of change in insurance, many are focused on enhancing or improving only a segment of the insurance value chain, instead of disrupting the entire industry.

Cornell stated that strategic alliances present “a massive opportunity for Canadian insurers,” adding that insurers should not constrain themselves to just their current organizational structure and instead try to step back and envision what the insurer of the future would look like.

“By envisioning what is possible, insurers can look at how third parties and strategic alliances could help them achieve that vision,” he said.

KPMG Holds its Annual Insurance Conference on 29 November, 2019

KPMG held its annual insurance conference, “Insurance Frontiers: Here to Horizon” on 29 November, 2019 at the Metro Toronto Convention Centre. CAFII Co-Executive Directors Brendan Wycks and Keith Martin were both in attendance. The session focused very heavily on the transformative changes coming to insurance due to technological developments. In particular, five broad themes were identified as most impactful in 2019:

1. Seismic shift in customer dynamics;
2. Business model disruption, innovation, and technology change;
3. Focus on strategic alliances and partnerships;
4. Game-changing regulations (International Financial Reporting Standards [IFRS] 17, Office of the Superintendent of Financial Institutions [OSFI] guidelines);
5. Building a future-forward workforce

Finder

Comparison Website Finder Launches Office in Canada

Comparison websites have become a staple of several overseas insurance markets giving consumers the chance to compare deals online with, traditionally, the cheapest option listed at the top. Their emergence has hit the personal lines industry in the UK in particular, with brokers concerned not only about being cut out of the loop, but also by the fact that consumers are increasingly comparing policies based on price over coverage.

Now one of the leading global financial comparison websites is heading to Canada – with Finder to officially launch with headquarters in Toronto. It has already secured partnerships with the likes of AMEX, BMO, Fairstone, TD Bank and Mogo, and, according to its statement, “will continue to bring more partners on board with a focus on mortgages, insurance and digital banking products.”

“The comparison market in Canada is less established than in countries like the United States and the United Kingdom, and we think there’s a huge opportunity to help Canadians make better financial decisions,” said co-founder of Finder Fred Schebesta.

“Canadians owe a combined \$2.16 trillion in debt and households are only putting 14.9% of their disposable income toward principal and interest payments. That’s almost on par with the peak debt servicing levels we saw in 2007 in the lead up to the global financial crisis.”

“We’ve only just officially launched in Canada and we already have hundreds of thousands of visitors to finder.com/ca each month. That shows us that Canadians are hungry to compare their options and save money.”

The company, which has a crew of more than 400 globally and is live in 80 countries, now has six employees working in the Toronto office. The Australian-born business is its home country’s most visited comparison website.

Majesco

Insurance Products will Increasingly be Non-Traditional

As an increasing number of clients come from cohorts younger than Generation X, the availability of non-traditional insurance products is going to increase, an insurtech industry watcher suggests.

“I think we are increasingly going to see the development of some new innovative products – whether you call them on demand or you call them micro insurance – it will be products that fit [clients’] specific needs at a point in time,” said Denise Garth, senior vice president of strategic marketing industry relations and innovation at software provider Majesco, in a recent interview.

“Four or five years ago the predominant buyers were still [baby boomers] and Gen X,” said Garth, referring to people born between 1946 and the early 80s. “Increasingly Millennial and Gen Z are becoming the buyers,” added Garth, referring to people born after 1981. She was commenting on major technology trends she foresees in 2020.

There is going to be more focus from some innovators on the coverage needs of clients for a specific point of time – rather than “one-size-fits-all” insurance policies, said Garth. She cited Duuo – through which The Co-operators covers homeowners who rent out their places like hotels – as one example. Slice Labs is the technology provider for Duuo, which The Co-operators launched in response to coverage gaps in traditional homeowner policies for people providing accommodation on services such as Airbnb.

Clients will want “on demand” insurance for both P&C and life and health, Garth says. For example, someone might want a higher level of life coverage for a skydiving trip. “You are having a wedding and you want to have event-based insurance to cover what could happen at that wedding. The possibilities are pretty endless,” said Garth.

“Insurers getting smarter at saying ‘one size does not fit all,’ so they begin to develop products that are very specific for a niche or a market segment and then they kind of wrap a whole different kind of digital experience around that to go after [clients] in a very digital way,” said Garth.

“Traditionally over the years, every industry kind of had their boundaries. The music industry, the book industry, the automotive industry et cetera, and those silos and barriers are crumbling faster each day, so I think we are just going to begin to see this continue to grow.” As an example, Garth cited Tesla, which started selling insurance for its own cars in California this past August. “I think we are going to see further experimentation and a further crumbling of those silos by embedding the purchase of insurance into other things because that’s how people live,” said Garth.

International Underwriting Association

International Underwriting Association reveals 2020 priorities

Insurance Business Canada reports that the International Underwriting Association (IUA) had unveiled its 2020 business plan, which puts a spotlight on climate change and cyber warfare risks. “The business challenges facing companies are evolving and the work of the IUA is changing to reflect this” stated International Underwriting Association (IUA) chief executive Dave Matcham.

“The association is establishing a new market group to examine the growing impact of climate change policies on a range of insurance activities, including investment, underwriting, and risk management,” announced the IUA, which has already received nominations for the new committee from more than 20 companies.

“Meanwhile, cyber is continuing to dominate member discussions across a wide range of different lines of business. The IUA’s dedicated cyber committees are focussing, in particular, on the consequences of cyber warfare with a major new research paper due to be published this year.”

Tali Sharot, Professor of Cognitive Neuroscience, University College, London, England

Why 80% of the Population May Decline Insurance They Need

Canadian Underwriter reported on 21 November, 2019 on the comments of a neuroscientist on why it is difficult to convince prospective clients that something really bad might happen to them. What you are up against is the normal brain function for four-tenths of the general population and the fact that people still smoke is one clue, a speaker suggested Monday at the Top Broker Summit. Keynote speaker

Tali Sharot showed the summit a slide with a photo of a cigarette package warning the buyer that smoking kills. “Threats and warnings like this only have limited impact because people say, ‘Yes, smoking kills but mostly it kills the other guy,’” said Sharot, a professor of cognitive neuroscience at University College in London, England.

Optimism bias is the tendency to imagine the future as being more positive – for people to over-estimate the likelihood of positive events and underestimate the likelihood of negative events. “When we renovate our house, we think about how lovely this house will be and we don’t necessarily focus on that burst pipe or that tree that might fall into the roof,” said Sharot, who has a PhD in psychology and neuroscience from New York University.

Optimism bias is something developed over about a million of years of evolution of humans and their ancestors, suggested Sharot. Overall it’s a good thing because if we expect the future to be bright, it reduces stress and anxiety. About four in ten people have “somewhat of an optimism bias.” Of the 20% who don’t – about half of them have clinical depression, said Sharot. The downside is most people do not tend to take rational precautions.

“If we underestimate our risk, we might not buy insurance when we should,” said Sharot, author of *The Optimism Bias: A Tour of the Irrationally Positive Brain*. So if you are focused on telling clients what horrible things might happen to them by accident, you might need to re-frame your message, suggested Sharot.

“Highlight the gain instead of focusing on all the terrible things that can happen or the dangers out there,” she said. “You might say, ‘Well, if you have this insurance, then you will be safe. There will be progress. Perhaps if you have it you will feel better.’” Sharot has a lab where researchers study brain mechanisms that give rise to how people make decisions and how people think about the future. In an experiment, researchers found everyone’s brain did a good job of encoding good information but not as good of a job at encoding unexpected bad news.

A case in point is people’s perception of the risk their marriage will end. “Of every five couples walking down the aisle, approximately two end up splitting their assets but when you ask newlyweds about their own likelihood of divorce, they estimate it at about zero per cent and even divorce lawyers, who should know better, usually underestimate their own likelihood of divorce,” said Sharot.

IT Community Spiceworks

Survey by IT Community Spiceworks Finds that Better Data Management Practices a Top Goal for many Organizations in 2020

Digital Insurance reported in a 10 January, 2020 article that organizations have made it a high priority to better manage their data and keep it secure. And in 2020, many will be spending more on IT to meet these goals.

A study by IT community Spiceworks, based on a survey of 1,005 business and technology buyers from organizations across North America and Europe that it conducted in July 2019, showed that aging technology infrastructure and growing security concerns were among the drivers for IT budget increases for this year.

Of those organizations surveyed, 44 percent plan to increase their IT budgets. Those organizations that expect IT budget growth anticipate an 18 percent increase, on average. Only 8 percent of the respondents expect IT budgets to decline in 2020. One quarter of the organizations surveyed reported that a recent security incident was driving them to increase their 2020 IT budget.

Many businesses might have the ability to deploy more cutting-edge technologies as their IT budgets grow and it becomes critical to replace outdated hardware, software, and services, according to Peter Tsai, senior technology analyst at Spiceworks.

The survey showed that adoption rates of artificial intelligence (AI) technologies are expected to nearly triple, from 15 percent in 2019 to 42 percent by 2021, while adoption of hyperconverged infrastructure, edge computing, and serverless computing technologies are expected to double to 46 percent, 43 percent, and 40 percent over the same time period, respectively.

When examining how technology budgets will be allocated in 2020, the findings showed that on average organizations surveyed plan to spend 33 percent of their IT budgets on hardware, 29 percent on software, 22 percent on hosted/cloud-based services and 15 percent on managed IT services.

TD Insurance

TD Insurance Offering Online Advice to Direct Customers

Canadian Underwriter reported on 14 November, 2019 that TD is enhancing its digital offerings to consumers and putting greater emphasis on the customer experience as a way to increase its footprint; to do that, providing relevant advice will play a key role in building trust.

TD wants to “instill customers with the right trust and confidence that they are getting the right coverage, they are getting the right product and so on,” TD vice president of digital performance Espen Molin told *Canadian Underwriter* during the company’s recent Tech Day at its offices in downtown Toronto. “That is a key priority for us.”

The value of advice is nothing new to brokers: they have been promoting their advice-based distribution model throughout their history. But directs are now also starting to talk the talk, with TD saying that providing advice is critical to customers because insurance is a product everybody needs. “It’s also a service that is sometimes a little bit complicated or confusing to understand, so the advice piece is really important,” Molin added.

Why is advice-giving a key priority for a direct like TD?

“We are really in the business of trust,” said Molin. “So it’s really important for us that we have that trusted relationship with our customers.”

The emphasis on advice comes as TD enhances its digital offerings in response to growing consumer demand. In the last year, Molin said there’s been a 40% bump in active digital users and an increase of 60% in digital transactions within the insurance space. Mobile usage has more than doubled over the last year, making up half of all visitors to the company’s insurance platform.

For TD, a key component of “advice” involves creating strong digital content to educate consumers about a product. Creating positive digital experiences and good content, whether for an app or website, is important to “engage and deepen” relationships and boosting business, Molin said.

Easy-to-access information is another important aspect, from finding policy information to managing it. When customers can do that themselves, “it also lifts the conversation we can have with customers,” Molin said. Instead of questions like when the next payment is due, “we can really start to focus on bigger value-adds.”

When a customer or prospect comes across the website or app, a “holistic approach” is needed, Molin said. “It’s not only about the policy and the details of the policy, but it’s also really about how can they manage their home, and what can they do to improve things in the home that will both help them and help us from a claims perspective.”

Accenture

Global Study of Insurance Executives Find Greatest Risk to their Business is Not Successfully Scaling Artificial Intelligence for their Business

Forget about attracting talent, keeping up with rapid change, or complying with a myriad of regulations – what’s really keeping insurance executives up at night is scaling artificial intelligence (AI) for their business.

Canadian Underwriter reports that according to a November, 2019 report from Accenture, based on a global survey of 1,500 C-level executives across 16 industries (including 113 executives in Canada), 81% of insurance executives believe they risk going out of business in five years if they don’t scale artificial intelligence (AI), compared to 75% across all other industries globally.

Almost all (94% of) insurance executives acknowledge they know how to pilot AI, but they struggle to scale it across the business, found the report, *AI: Built to Scale*. This percentage is drastically different from other industries, where just over three-quarters (76%) say they know how to pilot AI but struggle with scale.

The report polled 1,500 C-suite executives from large companies in 12 countries across 16 industries to uncover the success factors for scaling AI.

FM Global

FM Global Reports that Compliance is not Resilience in Cyber-Risk

In dealing with risks, especially something new and uncharted such as cyber, complacency is one of the worst mistakes businesses can commit. According to Pankaj Thareja, cyber security consultant at FM Global, some business leaders do not realise how huge their digital footprint is, even when their business is heavily reliant on technology, which may lead them to becoming complacent.

Also, some leaders think that merely complying with regulations is enough to prevent being victimised by cybercrime. However, Thareja said that is not the case. “Some business leaders think, ‘we are compliant to regulatory bodies, so we are safe’, but compliance doesn’t necessarily mean the business is safe,” Thareja told *Corporate Risk and Insurance*. “Being compliant only means that the business has met regulatory standards. Some also think ‘we have never been hacked before and our firewalls will protect us from outside world’, but this is also being complacent as that is no longer enough.”

He added that complacent businesses usually think the following measures are enough: outsourcing their cyber security program to third parties; believing their internal IT team can manage threats and secure their business data in isolation; and thinking that they won’t be targeted because they don’t hold confidential customer information, such as credit card details.

In the event of a cyberattack, financial recovery can take a long time – from months to even years, depending on the severity of the attack and its impact. Cyberattacks can shake the confidence of clients and damage a business’s reputation, causing loss of market share and missed growth opportunities. According to Thareja, restoring a business back to normal needs extended time and commitment. “The key factor that determines the length of recovery time is the strength of your cyber resilience programme and commitment from management to have continued business survival,” he said. “Often cyber risk is seen as an ‘IT issue’, though the impact goes beyond specific IT issues as they can potentially derail the entire enterprise. Cyber risk should be treated as a business risk and top management support is necessary in building a resilient enterprise.”

Swiss Re

Mike Hudzik, Managing Director, Head of Casualty Underwriting, US & Canada, Swiss Re, says that Social Inflation is Hurting Insurance

Business Insurance Canada reports that social inflation is one of the latest buzzwords in insurance. It is used by insurers to describe the rising costs of insurance claims resulting from things like increasing litigation, broader definitions of liability, more plaintiff-friendly legal decisions, and larger compensatory jury awards. While the core components driving social inflation have been evident for some time, their impacts on the insurance industry have only really started to come to a head in the past couple of years.

“Probably one of the biggest drivers of social inflation is the general anti-corporate sentiment that exists, reaching back to the financial crisis,” said Mike Hudzik, managing director, head of casualty underwriting, US & Canada, Swiss Re. “It seems like it’s a long time ago in our rear-view mirror, but it really created an environment that continues to gain momentum today. Since that time, there’s been a

greater division or separation of wealth, and there's just generally a feeling that someone needs to pay when there's some kind of damage or injury sustained, regardless of negligence.

"Social inflation comes from a number of things, including how juries are composed these days. The jury composition impacts the outcomes of verdicts in a big way. The byproduct of this is something that's always existed, but seems magnified now, which is the targeting of large corporate risks. They've always been in the crosshairs of the plaintiff's bar, but they're an even bigger target these days. That comes from the investment in advertising and other actions by the plaintiff's bar, and it also includes things like litigation funding. There's just a more pronounced movement towards this type of targeting as a result."

Appendix A

CAFII Alerts 19 October 2019 – 16 January 2020

Date of Email Alert	Topic of CAFII Alert
22 October 2019	BC Ministry of Finance Tables Bill 37, The Financial Institutions Amendment Act, 2019 Setting Out Policy Change Proposals Arising From 10-Year Review of Financial Institutions Act/Credit Union Incorporation Act
28 October 2019	FSRA Seeks Feedback on Draft 2020-2021 Priorities and Budget
29 October 2019	BC Financial Services Authority To Open For Business On Friday, November 1, 2019
30 October 2019	Ontario's Regulator Explains How Principles-Based Regulation Still Has Teeth
30 October 2019	"Most Canadians are "dangerously underinsured" report warns"
4 November 2019	FSRA Reveals Members of Stakeholder Advisory Committees (Including SAC for Life & Health Insurance)
4 November 2019	Insurance Canada Awards Introduces Awards 2019 Judges, Including CAFII Co-Executive Director Brendan Wycks
6 November 2019	AMF Publishes New Content on the General Public Section of its Website on "Making an informed decision when buying insurance on the Internet"
11 November 2019	Why 'Salesperson' Will No Longer Be Defined In Ontario's Insurance Act
11 November 2019	Should Banks Have A Hand In Promoting Financial Literacy?
13 November 2019	Canadian Snowbird Association To Take Ontario Government To Court To Challenge Legality Of Terminating Out-of-Country Emergency Medical Insurance Coverage
14 November 2019	FSRA (Ontario) To Issue Revised Guideline On Fair Treatment Of Customers
14 November 2019	CCIR To Study Incentive Programs As Part Of "Fair Treatment" Education Mandate; and Related CCIR Fall 2019 Communique Focused On Fair Treatment Of Customers
20 November 2019	FSRA steps into global sandbox; Ontario's new financial services regulator will cooperate with its global counterparts
20 November 2019	More Canadian Households Own Life Insurance, Finds LIMRA
22 November 2019	Saskatchewan FCAA Confirms January 1, 2020 As Proclamation-Into-Force-Date For Province's New Insurance Act -- With The Exception Of Seven (7) Key Provisions
26 November 2019	The Number Of Canadian Households With Life Insurance Reaches Unprecedented Levels
27 November 2019	Travel Health Insurance Association (THIA) Warns That Selfies, Binge Drinking Could Cost You Your Travel Insurance
28 November 2019	British Columbia's Amendments to Financial Institutions Legislation: Impact on the Insurance Sector
28 November 2019	Commonwealth Bank of Australia (CBA) Pleads Guilty To Criminal Breaches
5 December 2019	Insurance Councils of Saskatchewan Provides Backgrounders and Further Information Re Implementation Of The Insurance Act - Saskatchewan
5 December 2019	Financial and Consumer Services Commission of New Brunswick (FCNB) Issues Consultation Paper on Restricted Licensing Regime for "Incidental Selling of Insurance"
5 December 2019	CCIR Communique: Fall 2019

Date of Email Alert	Topic of CAFII Alert
5 December 2019	THIA Regulatory Affairs Bulletin Re BC's New Financial Services Authority (BCFSA) and Bill 37, Financial Institutions Amendment Act, 2019
8 December 2019	Travelling to the U.S.? Watch out: Ontario is about to scrap out-of-country emergency health care coverage. Here's what you need to know; and Two Related Letters To Toronto Star Editor
18 December 2019	New Brunswick Proposes To Regulate The Incidental Sale Of Insurance
19 December 2019	Ontario Legal Challenge Update From Canadian Snowbird Association
20 December 2019	FSRA Board Chair Bryan Davies Delivers Special Tip-of-the-Cap Thanks To CAFII
20 December 2019	BCFSA Information Bulletin 19-001 – New Fee Schedule
20 December 2019	Sun Life Financial To Apply For CAFII Initiation Membership (Imminently)
1 January 2020	Ontarians urged to get travel insurance as out-of-country OHIP coverage officially ends
2 January 2020	Snowbirds fighting Ontario health insurance cuts
8 January 2020	B.C. Charities Barred From Accepting Life Insurance Policy Donations, Says Lawyer
8 January 2020	Pre-Existing Conditions Still A Barrier To Affordable Life Insurance
8 January 2020	Financial and Consumer Services Commission of New Brunswick (FCNB) Appoints Kevin Hoyt As New CEO
14 January 2020	As province's out-of-country health coverage ends, so begins an opportunity for brokers
15 January 2020	Saskatchewan's New Year's Resolution? A New Insurance Act to Ring in the New Year
15 January 2020	AMF Letter Received By A CAFII Member Re Auditing Of That Company's Website(s) For Provision Of A Product Summary/Distribution Guide To Consumers For Insurance Distributed Without A Representative

CAFII Consultations/Submissions Timetable 2019-20

Regulatory Issue	Deliverable	Deadline	Accountable
BC Ministry of Finance 10-Year Review of FIA (Initial Public Consultation Paper released June 2, 2015)	<ul style="list-style-type: none"> Ministry announces FICOM transition into Financial Services Authority (FSA) FICOM-led Consultation on Industry Funding of BCFSa (successor regulator) CAFII submission on Industry Funding of BCFSa Revised Financial Institutions Act (FIA) tabled in the legislature CAFII submissions on draft Regulations in support of Revised FIA CAFII Meeting with Ministry of Finance staff executives <i>CAFII Follow-up Meeting with Ministry officials Re Credit Protection Insurance Sales Practices and Related Fair Treatment of Consumers Considerations</i> 	<ul style="list-style-type: none"> April 4/19 Released June 10, 2019 July 24/19 October 21/19 Q3 2020 through Q4 2021 October 25/19 Q1 or Q2 2020 	<ul style="list-style-type: none"> Mkt Conduct & Licensing Committee; Co-EDs to monitor
AMF Sound Commercial Practices Guideline Update	<ul style="list-style-type: none"> AMF releases consultation document CAFII submission on updated Sound Commercial Practices Guideline 	<ul style="list-style-type: none"> <u>Q1 or Q2 2020 (expected)</u> Q1 or Q2 2020 	<ul style="list-style-type: none"> Mkt Conduct & Licensing Cttee; Co-EDs to monitor
Quebec Bill 141 and Related Regulations (including Regulation Respecting Alternative Distribution Methods, RADM)	<ul style="list-style-type: none"> National Assembly passes Bill 141 (certain Bill 150 provisions included) AMF releases Regulation Respecting Alternative Distribution Methods (RADM) CAFII submission on Regulations Supporting Bill 141 AMF Response to Feedback on RADM Implementation/In-Force Period for RADM (varies by Article/Chapter) 	<ul style="list-style-type: none"> June 2018 October 10, 2018 December 10, 2018 April 17/19 June 13/19: Chapter 2; June 13/20: Chapter 3 	<ul style="list-style-type: none"> Mkt Conduct & Licensing Committee; Co-EDs to monitor
CCIR/CISRO Guidance: Conduct of Insurance Business and Fair Treatment of Customers	<ul style="list-style-type: none"> CCIR issues final version of FTC Guidance document Meeting with CCIR/CISRO Working Group re Guidance implementation Meeting with CCIR/CISRO Working Group re Guidance implementation <i>Meeting with CCIR/CISRO Working Group re Guidance implementation</i> 	<ul style="list-style-type: none"> September 27, 2018 November 28, 2018 March 27, 2019 <u>Deferred from Q4 2019 to March 2020</u> 	<ul style="list-style-type: none"> Mkt Conduct & Licensing Cttee; Co-EDs to monitor
CCIR 2020-2023 Strategic Plan	<ul style="list-style-type: none"> CCIR releases preliminary consultation draft of 2020-23 Strategic Plan CAFII 2019 Stakeholder Meeting With CCIR Focused On Strategic Plan CCIR announces formal deadline for written submissions CAFII submission on CCIR 2020-2023 Strategic Plan 	<ul style="list-style-type: none"> September 30, 2019 November 5, 2019 <u>Q1 2019 (expected)</u> Q1 2020 (expected) 	<ul style="list-style-type: none"> Mkt Conduct & Licensing Committee; EOC; Co-EDs to monitor
SK Bill 177	<ul style="list-style-type: none"> FCAA delays implementation of new Act and Regulations to Jan 1/20 FCAA releases transition-related Guidance and Interpretation Bulletin <u>FCAA releases further transition-related Guidance/Interpretation Bulletin(s)</u> 	<ul style="list-style-type: none"> November 26, 2018 May 17, 2019 <u>Q1 2020 (expected)</u> 	<ul style="list-style-type: none"> Mkt Conduct & Licensing Cttee; Co-EDs to monitor
FCNB Insurance Act Rewrite and Introduction of RIA Regime	<ul style="list-style-type: none"> CAFII Meeting with David Weir and Jennifer Sutherland Green, FCNB in Fredericton CAFII submission on FCNB Licensing of Insurance Adjusters and Damage Appraisers Consultation FCNB launches industry consultation on RIA licensing regime model CAFII submissions on FCNB's Insurance Act Rewrite and RIA Regime 	<ul style="list-style-type: none"> June 11, 2019 July 2/19 <u>November 29, 2019</u> January 31, 2020 	<ul style="list-style-type: none"> Mkt Conduct & Licensing Cttee; Co-EDs to monitor
FSRA Consultation On Proposed New Guidance Framework	<ul style="list-style-type: none"> <u>FSRA releases proposed New Guidance Framework for consultation</u> CAFII submission on FSRA's proposed New Guidance Framework 	<ul style="list-style-type: none"> <u>October 17, 2019</u> January 31, 2020 	<ul style="list-style-type: none"> Mkt Conduct & Licensing Cttee; Co-EDs to monitor

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

Agenda item 2(c)
January 21/20 EOC Meeting

Interim CAFII Regulatory Meetings From November 1, 2019 To January 7, 2020

<u>Province</u>	<u>Date</u>	<u>Event</u>	<u>Who</u>
British Columbia	2 December 2019	Keith Martin and Brendan Wycks had a liaison lunch with Insurance Council of BC staff executives in Toronto	Janet Sinclair, Executive Director; and Brett Thibault, Director, Governance and Stakeholder Engagement
Ontario	13 November	Keith Martin met with FSRA Management (FSRA Life and Health Insurance Stakeholder Advisory Committee)	Mark White Glenn Padassery Houston Loke Swati Agrawal Others
Ontario	28 November 2019	Keith Martin met with FSRA Board of Directors (FSRA Life and Health Insurance Stakeholder Advisory Committee)	Bryan Davies, Chair, and the FSRA Board, with Mark White, CEO and his executive team there as well
Ontario	11 December 2019	Keith Martin attended FSRA Holiday Season Reception in Toronto	Mark White Bryan Davies (one-on-one conversations with them)
Ontario	3 December 2019	CAFII Post-Board Meeting Holiday Season Reception	Bryan Davies, FSRA Board Chair
Quebec	25 November 2019	AMF's 2019 Rendez-Vous mini-conference in Montreal (Keith and Brendan both in attendance)	Louise Gauthier Frederic Perodeau (one-on-one conversations with them)
Quebec	11 December 2019	Keith Martin, along with Norton Rose legal counsel, attended legal dialogue meeting with AMF officials on spousal coverage issue at AMF office in Levis	Nathalie Sirois Isabelle Berthiaume Mario Beaudoin Nancy-Audrey Whittom
Saskatchewan	23 December 2019	CAFII teleconference meeting with FCAA re Interpretation Bulletins related to new Saskatchewan Insurance Act and Regulations	Jan Seibel, Saskatchewan FCAA

Summary of CAFII Board and EOC Action Items					
	Source	Action Item	Responsible	Deadline	Status November 26, 2019
		AMF Quebec			
1	BOD October 1, 2019	Contact Frederic Pérodeau at the AMF and propose 7 April, 2020 in Lévis, Quebec at the offices of Desjardins Financial Security as the date and location for a rescheduled CAFII/AMF Liaison Lunch and Industry Issues Dialogue	B. Wycks/K. Martin	31-Oct-19	Complete
2	BOD October 1, 2019	Send a communication to Board members asking for recommendations as to who would be the best external legal counsel for CAFII to engage to purposes of the contemplated legal opinion on the AMF's directive to insurers to cancel/remove existing/in force spousal coverage when the creditor cannot demonstrate to the AMF's satisfaction that it has a pecuniary interest in the life and/or health of a non-debtor spouse	K. Martin	4-Oct-19	Complete
		Financial Consumer Agency of Canada (FCAC)			
3	BOD October 1, 2019	Send a follow-up communication to the office of Judith Robertson, new FCAC Commissioner, requesting a Fall 2019 CAFII Get Re-Acquainted and Dialogue Meeting with her and FCAC senior executive colleagues at the Agency's office in Ottawa	B. Wycks	11-Oct-19	Complete
		Association Strategy and Governance			
4	BOD October 1, 2019	Implement the Board-approved policy that the benefits associated with CAFII Associate Status will now include receipt of CAFII Regulatory Updates and CAFII Alerts, at CAFII management's discretion	B. Wycks and K. Martin	15-Nov-19	Complete
5	BOD October 1, 2019	Implement the Board-approved directive that the EOC form a Working Group to investigate the possibility of creating a new, permanent lower dues category of CAFII membership	M. Boyle, B. Wycks and K. Martin	15-Nov-19	Complete
6	EOC May 29, 2018	Develop a summary job description for the CAFII EOC Chair role and circulate it to EOC Members.	Brendan, Keith	31-Dec-19	In progress
7	EOC February 27, 2018	Document in writing the process for reviewing, approving, and admitting applicants for CAFII Members and Associate status	Brendan	31-Dec-19	In progress

17 January, 2020

Mr. Frédéric Perodeau
Superintendent, Client Services and Distribution Oversight
Autorité des marchés financiers
800, square Victoria, 22^e étage
C.P. 246, tour de la Bourse Montréal (Québec) H4Z 1G3
E-mail: frederic.perodeau@lautorite.qc.ca
c.c. Nathalie Sirois, Senior Director, Oversight of Insurers and Control of the Right to Practise
Louise Gauthier, Senior Director, Distribution Management Policy
Mario Beaudoin, Director, Alternative Distribution Practices in Insurance

Re: Credit Card-Embedded/Inclusive Insurance Benefits

Dear Mr. Perodeau:

As you know, CAFII has been supportive of the AMF's new Regulation Respecting Alternative Distribution Methods (RADM). Our Association's members continue to work diligently to comply with the Regulation's requirements by the June 13, 2020 conclusion of the much-appreciated one-year transition period provided by the Autorité.

CAFII members have been preparing to implement the Product Summary and Fact Sheet modernization mandated under the RADM on the assumption that those documents apply only in the case of sales of insurance products.

In that connection, CAFII has been informed by ACCAP/CLHIA that recently, at an unrelated update meeting with Nathalie Sirois and other AMF officials to discuss various issues, ACCAP/CLHIA understood the AMF to say that it expects consumers to receive the AMF's Fact Sheet and a Product Summary for credit card-embedded/inclusive insurance benefits.

Should the AMF indeed be contemplating that the RADM ought to be applicable to credit card-embedded/inclusive insurance benefits, our Association respectfully requests a meeting with relevant AMF staff executives in the near future, preferably in-person, to discuss this issue. In that meeting, we would like to lay out our views as to why we believe the RADM does not apply to credit card-embedded/inclusive insurance benefits and why the possible AMF expectation noted above, if correct, would be highly problematic and challenging, with the likelihood of causing significant consumer confusion and having major unintended consequences.

We look forward to hearing back from you, at your earliest convenience, with a view to scheduling the requested meeting. A small delegation of CAFII representatives would be pleased to attend the meeting at either your Lévis/Québec City or Montréal offices. Should you require further information from CAFII prior to responding to this letter, please contact Keith Martin, CAFII Co-Executive Director, at keith.martin@cafii.com or 647-460-7725.

Sincerely,

Martin Boyle
Board Secretary and Chair, Executive Operations Committee

About CAFII

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

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

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

CAFII's members include the insurance arms of Canada's major financial institutions – BMO Insurance; CIBC Insurance; Desjardins Financial Security; National Bank Insurance; RBC Insurance; ScotiaLife Financial; and TD Insurance – along with major industry players ; Assurant; Canada Life Assurance; Canadian Premier Life Insurance Company/Valeyo; CUMIS Services Incorporated; and Manulife (The Manufacturers Life Insurance Company).

CAFII Executive Operations Committee Meeting Minutes
Tuesday, November 19, 2019
Held at Canada Life Assurance
330 University Ave, Toronto, ON

EOC Present:

Martin Boyle, BMO Insurance *Chair*
Tony Pergola, ScotiaLife Financial *Treasurer (by teleconference)*
Monika Spudas, Manulife Financial *(by teleconference)*
Sharon Apt, Canada Life Assurance
Charles Blaquiere, Valeyo
John Lewsen, BMO Insurance
Scott Kirby, TD Insurance *(by teleconference)*
Anita Mukherjee, RBC Insurance
Michelle Costello, CUMIS Services Inc. *(by teleconference)*
Brad Kuiper, Scotialife Insurance *(by teleconference)*
Michele Jenneau, National Bank Insurance *(by teleconference)*
Andrea Stuska, TD Insurance
Kamana Tripathi, TD Insurance *(by teleconference)*
Rob Dobbins, Assurant *(by teleconference)*
Charles Blaquiere, Canadian Premier Life/Valeyo *(by teleconference)*
Dominique Julien, CIBC Insurance *(by teleconference)*
Karyn Kasperski, RBC Insurance *(by teleconference)*
Laura Bedford, RBC Insurance *(by teleconference)*
Dallas Ewen, Canada Life Assurance *(by teleconference)*

Also Present:

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

1. Call to Order

The meeting was called to order at 2:02 p.m.; M. Boyle acted as Chair; N. Hill acted as Recording Secretary.

2. Consent Items

A series of consent items were tabled and approved by the EOC without further discussion. These included the meeting notes of the 29 October, 2019 EOC teleconference meeting; the monthly Regulatory Update; the Consultations/Submissions timetable; the Regulator and Policy-Maker Visit Plan; a summary report on the 22-25 October, 2019 Western Canada Insurance Regulators and Policy-Makers Tour; a report on the 28 October, 2019 CAFII meeting with FCAC staff executives; and the program of the AMF 2019 Rendez-Vous to be held on Monday, 25 November, 2019.

3. CAFII Financial Management and Governance Matters

CAFII Treasurer Tony Pergola provided an overview of the financial affairs of the Association. Overall financial performance is as expected, although the forecast now has higher expenses due to the expenses that will be incurred for the Norton Rose legal opinion on the AMF spousal issue. There will also be Board hosting expenses associated with two Board meetings that will be expensed back to the Association at \$7500 each.

3.b. 2019 Fiscal Year Forecast as at October 31/19

As noted above, the forecast has deteriorated somewhat due to unbudgeted expenses related to the Norton Rose legal opinion. The Operating Ratio is now anticipated to come in at 21%, which is lower than the 25% minimum, if the Norton Rose legal costs are allocated to the expense line of the regular budget. However, there is a pool of money available in the 2019 Special Project fund, to which this expense could be allocated, if the Board of Directors should decide to take that approach.

3.c. Preliminary Draft of 2020 CAFII Operating Budget

A preliminary draft 2020 budget was tabled, which included a contractual increase in fees for Managing Matters, some anticipated increases in expenses due to inflation, and a 5% increase in CAFII Co-Executive Directors-related compensation expense. The budget includes a \$60K budget for research expenses. There will be increased revenue in 2020 as National Bank Insurance moves to the full contribution for an upper-tier member, and as Manulife Financial and Canada Life Assurance move from having discounted CAFII Initiation Member dues to contributing full upper-tier dues.

3.d. Draft Minutes of October 1/19 CAFII Board Meeting

The EOC recommended that the Board approve the 1 October, 2019 CAFII Board meeting minutes.

3.e. Proposal That CAFII Licensing Committee Be Folded/Absorbed into Market Conduct Committee

Moira Gill, the Chair of the Licensing Committee, has recommended that because the key Licensing Committee priorities in the coming year will overlap with the activities of the Market Conduct Committee, that it would be more efficient to merge the two Committees. Brad Kuiper, Chair of the Market Conduct Committee, supports this recommendation. The EOC unanimously approved this recommendation to merge the two Committees.

3.f. CAFII Research & Education Committee Chair Succession

Diane Quigley of CUMIS has been Chair of the Research & Education Committee for six years, during which time it has led the production of some highly impactful research studies that have given the Association new profile and credibility. Diane Quigley now needs to step down due to other work priorities, and the EOC thanked her for her dedication and contribution to the Association. Any CAFII member interested in this role should put their name forward for consideration.

3.g. Board-Approved 2020 Schedule of CAFII Meetings and Events, Including New Date for Next CAFII Liaison Lunch and Industry Issues Dialogue with AMF Staff Executives

Brendan Wycks noted that most 2020 CAFII EOC, Board, and other meetings have now been finalized, although there is still a need to confirm whether the AMF will be able to meet with CAFII's Board in Montreal on 7 April, 2020. Brendan Wycks will reach out to Frédéric Pérodeau about this in the coming week.

3.h. New Timetable for Finalization and Posting of CAFII Board and EOC Meeting Agendas and Materials

At the request of the Board, CAFII management is diligently attempting to post all meeting materials at least a week prior to the meeting. For this EOC meeting, CAFII management was only able to post everything five days prior to the meeting, but efforts to achieve the week-in-advance timeline will continue, and CAFII management is confident that the materials for the 3 December, 2019 Board meeting will all be posted a week prior to that meeting.

3.i. Board-Approved Decision to Enhance the Benefits and Value Proposition of CAFII Associate Status

The Board has supported a recommendation to provide Associates with addition value by sharing the monthly Regulatory Updates with them, along with CAFII Alerts. A transmittal message on this new benefit is being crafted, with the intention of providing Associates with some recent Regulatory Updates and a list of 2019 CAFII Alerts.

3.j. Creation of An EOC Working Group to Explore A New Lower Dues Category of CAFII Membership

There has been discussion at the Board and EOC of the possible value of a new category of membership for smaller members. EOC members who are interested in participating in a Working Group that will explore this concept are invited to let EOC Chair Martin Boyle, and CAFII management, know of their interest.

4. Recent and Upcoming CAFII Strategic and Regulatory Initiatives

4.a. CAFII Follow-Up On October 28/19 Relationship-Building/Dialogue Meeting with FCAC:

4a.i. January 2020 Meeting with FCAC Staff Executives Around CAII Presentation On "Credit Protection/Authorized Insurance Products Sales and Fair Treatment of Consumers"

4.a.ii. Invitation to Commissioner Judith Robertson To Be Guest Speaker At 2020 CAFII Annual Members' Luncheon

CAFII management has begun the work on what could be presented to the FCAC in an early 2020 presentation to them on the sales practices of CAFII members. This presentation has the potential to be an impactful, educational and relationship-building meeting. It was noted that Board member from ScotiaLife Financial Zack Fuerstenberg has suggested that outside help, including potentially business consultants, could produce some material that could be provided to the FCAC on the consultants' letterhead as externally-produced research findings. This material could include a fact sheet on the products and distribution methods of CAFII members. There was some discussion about this concept, and agreement that EOC members would share their thoughts on this idea with their respective Board members, to ensure that Board members are well-prepared for a discussion on this matter at the 3 December, 2019 Board meeting.

4.b. Feedback on Logistics/Organization of CAFII 2019 Western Canada Insurance Regulators and Policy-Makers Visits Tour

Brendan Wycks provided a summary of some of the feedback received on the 22-25 October, 2019 Western Canada tour, which included the suggestion that next time it be held in September, not October, as October is near year-end for banks and a very difficult time to hold external meetings; and that the tour be broken up into separate segments next time, to make the schedule less intense.

4.c. Written Report On November 5/19 CAFII Stakeholder Meeting with CCIR

Keith Martin provided an overview of the 5 November, 2019 CAFII stakeholder meeting with the CCIR, noting that it was a good discussion at which CAFII made some suggestions to the CCIR on how it could move to the next level of harmonization, including not so much coordinating activities between regulators, but actually developing policy positions that CCIR members could consider adopting. While the CCIR did not commit to these suggestions, they indicated that they were willing to consider and explore them.

4.d. Board-Mandated External Counsel Legal Opinion on AMF Directive to Cancel and Remove Existing/In-Force Credit protection Insurance Coverage from Non-Debtor Spouses

The Board has approved the hiring of external legal counsel to review the AMF position on spousal insurance, and potentially to provide a counter-legal argument. After the position is developed, it will be reviewed by a committee of Quebec-based CAFII member lawyers, and a larger group of CAFII internal legal counsel and advisors. The position that is ultimately developed will be vetted and reviewed by these committees and the EOC, and the EOC and the Board will be kept up-to-date on developments.

Mark Duquette and Dominic Dupoy of Norton Rose Fulbright Corporation (NRFC), the external counsel that has been chosen to advise CAFII on this matter, dialed into the EOC for a short update. They noted that they were still developing the legal arguments on this issue, and felt that there were solid legal reasons that could challenge the AMF position. However, the focus would not be on changing the position that industry would not issue policies in future that do not meet the AMF definition, but rather to provide arguments for why CAFII members do not wish to submit Action Plans that include the cancellation of existing, in-force policies.

4.e. AMF Review of Critical Illness Insurance

Martin Boyle provided an overview of the AMF review of critical illness insurance, noting that two questionnaires were sent to insurers.

4.f. AMF Position on Embedded Creditor's Group and Travel Insurance Coverages

The AMF appears to expect that insurance benefits embedded in a credit card are subject to the Regulation Respecting Alternative Distribution Methods (RADM), and as such require a Fact Sheet and Summary document to be presented to the customer at time of sale. This position is strongly opposed by CAFII and its members. It was agreed that work would proceed on the development of a letter outlining the reasons why this interpretation is opposed by industry, but that this letter should not be sent immediately, so as to allow the efforts around opposing the AMF's position around the pecuniary interest of non-debtor spouses to be resolved.

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

Martin Boyle reported that while the Working Group had made much progress, it was too early to present anything but a progress update at the upcoming 3 December, 2019 Board meeting. However, work will continue with the objective of attempting to have a more substantive update at the 7 April, 2020 Board meeting.

4.h. Opportunity To Take Over CBA's Quarterly CGI Benchmarking Study: Outcomes of November 19/19 CAFII Meetings with Actuarial Firm Respondents to RFP For An Enhanced Benchmarking Study

Keith Martin updated the EOC on a meeting held earlier that day, at which CAFII members heard from the two actuarial firms that had responded to the CAFII RFP on taking over the CBA benchmarking study. The CAFII group that heard the presentations felt that RSM Canada was the stronger bidder, and recommended awarding them the project. It was also recommended that CAFII proceed with the project. These recommendations will be made to the Board at its 3 December, 2019 meeting, at which time it will be important for a final decision to be made.

4.i. FSRA Launch of Life and Health Insurance Sector Stakeholder Advisory Committee

Keith Martin updated the EOC on a meeting of the FSRA Stakeholder Advisory Committee with FSRA management, at which a presentation was made by FSRA management on their budget and policy priorities. FSRA continued to demonstrate a commitment to a principles-based approach and to collaborative consultation. A meeting is also soon to be held with the FSRA Board of Directors and the SAC. The SAC has about 15 members, with representatives drawn from various industry Associations and from industry itself.

5. Committee Updates

5.a. Research & Education

The Research & Education Committee is recommending a 2020 research budget of \$60K.

5.b. Market Conduct

There were no further updates from the Market Conduct Committee, as all relevant issues were covered in other parts of this meeting.

5.c. Media Advocacy

The Media Advocacy Committee recommends a 2020 website enhancement budget of \$32K before taxes, with a focus on continued production of videos.

5.c.i. CAFII Website Enhancements

A series of enhancements is about to be put into production, including visually-pleasing versions of the Pollara CPI research, and three new videos, two on the Pollara CPI research, and one explaining the benefits of mortgage life insurance.

5.d. Licensing Efficiency Issues

Nothing to report at this time.

5.e. Travel Medical Insurance Experts

There was discussion on CAFII providing the AMF with the reasons why it was not in agreement with providing Fact Sheets and Product Summaries to consumers for travel insurance embedded in a credit card. There was discussion of coordinating our approach with THIA, which also plans to submit its views to the AMF.

5.f. Networking & Events

No update at this time.

5.f.i. Speaker for December 3/19 CAFII Reception: Melissa Carruthers, Monitor Deloitte

It was noted that Melissa Carruthers of Monitor Deloitte would be the guest speaker at the upcoming Reception following the 3 December, 2019 CAFII Board meeting. For a future Reception, there was keen interest in securing a speaker on the impact of climate change on the life and health insurance industry.

6. Adjournment

There being no further business, the meeting was adjourned at 4:10 p.m.

BOARD MEETING MINUTES **CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE**

Tuesday, December 3, 2019 Host: TD Insurance
 TD Conference Centre, 55 King St. West, Concourse Level Toronto, Ontario

Board Present:	Nicole Benson Peter Thompson Chris Lobbezoo Peter McCarthy Janice Farrell Jones Kelly Tryon Sandra Rondzik Zack Fuerstenberg Wally Thompson Christian Dufour	Canadian Premier Life, Chair (by teleconference) National Bank Insurance RBC Insurance Vice-Chair BMO Insurance TD Insurance CUMIS Services Incorporated CIBC Insurance ScotiaLife Financial Manulife Desjardins Financial Security
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Board Regrets:	Paul Cosgrove Louie Georgakis	Assurant Canada Life Assurance
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EOC Present:	Martin Boyle Michele Jenneau Rob Dobbins Andrea Stuska Kamana Tripathi Scott Kirby Tony Pergola Peter Thorn Dallas Ewen Sharon Apt Mindy Tarantelli Brad Kuiper Afzal Baig Vivek Sahni Joanna Onia Charles MacLean Laura Bedford Moir Gill Michelle Costello Shawna Sykes	BMO Insurance, EOC Chair and Board Secretary National Bank Insurance (by teleconference) Assurant TD Insurance (by teleconference) TD Insurance (by teleconference) TD Insurance (by teleconference) ScotiaLife Financial (by teleconference) TD Insurance Canada Life Assurance (by teleconference) Canada Life Assurance ScotiaLife Financial (by teleconference) ScotiaLife Financial (by teleconference) TD Insurance RBC Insurance CIBC Insurance (by teleconference) RBC Insurance RBC Insurance (by teleconference) TD Insurance (by teleconference) CUMIS Services Incorporated CUMIS Services Incorporated (by teleconference)
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Also Present:	Keith Martin Brendan Wycks Natalie Hill	CAFII Co-Executive Director CAFII Co-Executive Director Managing Matters Inc. <i>Recording Secretary</i>
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1. Call to Order, Meeting Confirmation, & Governance Matters

Board Vice-Chair C. Lobbezoo chaired this meeting in place of Board Chair N. Benson, who was unable to attend in-person. Mr. Lobbezoo welcomed everyone and called this meeting of the CAFII Board of Directors to order at 2:02 p.m.

M. Boyle confirmed that notice of this meeting was sent to all Directors in accordance with the Association's By-Law.

M. Boyle also confirmed that a quorum of Directors was present, noting that there were 10 Directors present in-person.

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

1(a). Approval of Agenda

C. Lobbezoo noted that a meeting agenda had been circulated to the Directors. He asked if the Directors had any additions or changes to propose to the agenda. As well, he inquired if anyone would like to discuss any of the ten (10) items listed in the Consent section, such that one or more of them should be moved to the regular section of the agenda.

No changes or additions to the agenda were proposed.

On a motion duly made, seconded and unanimously carried

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

2. Approval/Receipt of Consent Items

One or more documents had been provided for each of ten (10) consent agenda items; and it was presumed that Directors had reviewed them in advance of the meeting.

The following two-part motion was duly made and seconded and unanimously carried:

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

And further, **it is RESOLVED that** the minutes of the meeting of the Board of Directors held October 1, 2019 be and are adopted in the form presented, and that a copy of those minutes be signed and placed in the minute book of the Corporation.

3. Financial Matters

3(a). CAFII Financial Statements as at October 31, 2019

CAFII Treasurer Tony Pergola provided a financial report and review of the October 31, 2019 financial statements for the Board. Overall financial performance was as expected, although the forecast now had higher expenses due to the expenses that would be incurred for the Norton Rose legal opinion on the AMF spousal issue. There would also be meeting hosting associated with two 2019 Board meetings that would be expensed back to the Association at \$7500 each.

On a motion duly made, seconded and unanimously carried

IT WAS RESOLVED that the October 31, 2019 CAFII financial statements be and are approved as presented.

3(b). 2019 Fiscal Year Forecast As At October 31, 2019

The forecast for the Association's 2019 fiscal year had deteriorated somewhat due to unbudgeted expenses related to the Norton Rose legal opinion. The Operating Ratio was now anticipated to come in at 21%, which is lower than the 25% minimum of the target range for the Association's financial reserves, if the Norton Rose legal costs are allocated to the expense line of the regular budget. However, there is a pool of money available in the 2019 Special Project fund, to which this expense could be allocated.

Item 3(c). Payment of 2019 Stikeman Elliott Legal Services Invoice

Keith Martin provided the Board with the background to Stikeman Elliott's recently received invoice for legal services rendered in 2019, with a view to having a motion thereafter for the Board to approve payment of that invoice. Mr. Martin noted that based on the size of the original bill, which was a straight time calculation, and which was close to the amount originally estimated for the Special Project, even though that Special Project was put on hold, a request was made for a volume discount, to which Stikeman Elliott had agreed. As a result, the original invoice was reduced by 10%, resulting in an \$11,000 discount.

On a **motion duly made**, seconded and unanimously carried,

IT WAS RESOLVED that the CAFII Board of Directors approves the payment of Stikeman Elliott's 2019 legal services invoice to CAFII, totaling \$92,113.81, with the funds to be drawn from the separate Special Project account monies which were received from members earlier this year for such purposes

3(d). Proposed 2020 CAFII Operating Budget Options

Treasurer Tony Pergola advised that there were some recent Board-approved expense items, such as the Norton Rose legal opinion, which were unbudgeted. The Board had the option of drawing from the Special Project funds, if desired, to pay for some of these expenses.

It was noted that it was expected that after the Board had had an opportunity to discuss the Proposed 2020 CAFII Operating Budget Options in today's *in camera* session, a Special Purpose Board Teleconference Meeting will be arranged for a date next month, in January, 2020, for the express purpose of approving the Association's 2020 Operating Budget.

4. Regulatory Matters

4(a). Implementation of Board-Mandated External Counsel Legal Opinion

C. Lobbezoo advised that this section of the agenda related to implementation and utilization of the external counsel legal opinion, which the Board had mandated at its previous meeting on October 1, 2019, with respect to the AMF's directive to cancel and remove existing, in-force credit protection insurance coverage from non-debtor spouses in Quebec. The Board was now being called upon to make some strategic decisions related to utilization of the legal opinion.

While the Board engaged in some preliminary discussion on this agenda item in this open portion of the Board meeting, this matter was ultimately assigned to the *in camera* session to allow for more thorough and candid discussion.

K. Martin updated the Board on the development and content of the legal opinion intended for the AMF, on recent CAFII liaison with the AMF on this matter, and on the strategic decisions related to utilization of the legal opinion which the Board was being called upon to make. Mr. Martin noted that there were a variety of internal CAFII opinions around utilization of the Norton Rose legal opinion.

Some of the arguments advanced in the opinion, while effective for the specific issue at hand, were of concern in terms of broader strategic implications. As a result, many arguments had been removed from the opinion, rendering it much watered-down. Furthermore, there was a concern with sharing the opinion in writing with the AMF, out of concern it could be discoverable.

The key objective at this point was to request of the AMF that Action Plans not include cancellation of existing, in-force policies, but rather see these policies diminish over time through natural attrition. It was suggested that this could be made through an in-person meeting in Quebec City involving AMF, Norton Rose, and CAFII representatives. It was also noted that the Action Plans deadline had been extended to 13 December, 2019.

It was agreed to continue and conclude discussion on this matter in the Board's *in camera* session, a discussion for which the Co-Executive Directors would be invited to remain and participate.

4(b). CAFII Strategy on AMF Position on Credit Card-Embedded Insurance Coverages

K. Martin and B. Wycks updated the Board on the matter of CAFII's strategy on the AMF's position on credit-card embedded credit protection and travel insurance coverages. It was mentioned that the AMF had recently indicated to the CLHIA that it expects a Fact Sheet and Product Summary to be provided to customers for insurance embedded in credit cards, and it would be auditing distributors in January and February 2020 to ensure they are complying with this expectation. Because this means that the AMF is treating this insurance coverage as a "sale," it raises implications for CAFII members that are concerning, and is a position that is opposed by the industry.

In response, a detailed letter explaining why CAFII does not agree with this position has been developed, but it was suggested that this should be sent only after resolution of the Spousal Issue. However, given that the AMF is moving forward quickly on this file, a counter view has been expressed that CAFII should proceed with finalization of the letter as soon as possible.

Further discussion on this issue was assigned to the Board's *in camera* session.

4(c). AMF Review of Critical Illness Insurance

EOC Chair M. Boyle reported that the AMF had undertaken a review of critical illness insurance, which included a requirement for affected insurers to complete one of two separate surveys. The investigation was based on a concern that the product is overly complex, and the claims ratio is too low. The CLHIA has a working group providing industry views to the AMF on this matter.

4(d). CAFII Follow-Up on October 28, 2019 Meeting With FCAC

B. Wycks and K. Martin updated the Board on two developments that had arisen from an October 28/19 relationship-building and dialogue meeting which the Association had had with Judith Robertson, the Financial Consumer Agency of Canada's new Commissioner, and three of her FCAC staff executives.

First, an invitation had been sent to Commissioner Judith Robertson to be the guest speaker at CAFII's 2020 Annual Members Luncheon.

Second, CAFII was proceeding to secure and prepare for a presentation meeting with FCAC staff executives on “Credit Protection/Authorized Insurance Products Sales and Fair Treatment of Consumers Implications” in early 2020.

Board members felt that this was an opportunity not to be missed to provide critical information and facts to the FCAC.

Z. Fuerstenberg, Board member for ScotiaLife Financial, suggested that consideration be given to engaging consultants to assist in the preparation of the presentation deck, including developing a product fact sheet and information on members’ distribution methods. Mr. Fuerstenberg felt that having such information on the letterhead of a credible external consultant might give it additional credibility.

In Board discussion of that suggestion, concerns expressed about taking such an approach, as consultants would offer an opinion, and could be very expensive. However, while the specifics of how to get external support was still open for discussion, there was Board consensus that this was a critically important presentation and “CAFII had to put its best foot forward.”

Further discussion on this matter was assigned to the Board’s *in camera* session.

4(e). CAFII 2019 Stakeholder Meeting With CCIR On November 5/19

Keith Martin provided an overview of the 5 November, 2019 CAFII stakeholder meeting with the CCIR, noting that it was a good discussion at which CAFII made some suggestions to the CCIR on how it could move to the next level of harmonization, including focusing not so much on coordinating activities between regulators, but actually developing policy positions that CCIR members could consider adopting. While the CCIR did not commit to these suggestions, they indicated that they were willing to consider and explore them.

4(f). Implementation of Saskatchewan’s New Insurance Act and Regulations

B. Wycks updated the Board on the latest developments with respect to Saskatchewan’s plans for implementing and bringing into force its new Insurance Act and related Regulations. He noted that Jan Seibel of Saskatchewan’s Financial and Consumer Affairs Authority had indicated that there would be no further delay to the 1 January, 2020 implementation date, but that select sections of the Act might be proclaimed into force at a later date.

4(g). FSRA Launch of Life and Health Insurance Sector Stakeholder Advisory Committee

K. Martin provided an update on a meeting of the FSRA Stakeholder Advisory Committee (SAC) with FSRA management, at which a presentation was made by FSRA management on their budget and policy priorities. FSRA continued to demonstrate a commitment to a principles-based approach and to collaborative consultation. A meeting is also soon to be held with the FSRA Board of Directors and the SAC. The SAC has about 15 members, with representation from various industry Associations and from industry itself.

CAFII's presentation to the SAC noted that the FSRA launch was successful, its management team impressive, and its commitment to principles-based regulation noted and supported. The presentation recommended that FSRA take on a leadership role within both the Canadian Council of Insurance Regulators and the International Association of Insurance Supervisors, continue to promote harmonization across Canadian jurisdictions including on licensing, and support the development of ways to promote innovation in the industry, including the development of regulatory sandboxes.

5. Strategic Matters

5(a). Opportunity to Take over CBA's Quarterly CPI Benchmarking Study

C. Lobbezoo advised that the first item in this section of the agenda related to (i) the opportunity for CAFII to take over the Canadian Bankers Association's quarterly credit protection insurance benchmarking study, and (ii) the outcomes of a November 19 meeting which a CAFII selection committee had had with representatives from two actuarial firms which responded to a CAFII Request For Proposals related to launching an enhanced version of the CBA's benchmarking study, under CAFII's auspices, next year.

C. Lobbezoo, who attended the selection meeting with the actuarial firm representatives, and K. Martin provided an update on this initiative and the recommendations to the Board which emerged from the RFP process. It was felt that the better proposal was from RSM Canada, and the recommendation to the Board was to proceed with this initiative with RSM Canada as the winning bidder. It was also recommended that the initial project be just a go-forward quarterly study, with additional data points considered at a later point in time. It was observed and accepted that the RSM proposal for continuing the study as it currently exists, but with improved data quality and definitions to make it a more credible study, would cost 15,000 for each quarterly study or \$60,000 annually.

It was also noted that this item was not currently in the draft CAFII 2020 operating budget, although there was \$60,000 allocated for research in the budget that potentially could be allocated to this initiative.

Further discussion on this item was assigned to the Board's *in camera* session.

5(b). CAFII Credit Protection Insurance Industry Best Practices Working Group: Progress Report

M. Boyle and K. Kasperski, co-chairs of the CAFII Credit Protection Insurance Industry Best Practices Working Group, provided the Board with a progress report on its work since the last Board meeting at the beginning of October. A significant amount of progress had been made, with the Working Group breaking up into smaller groups to develop specific initiatives around components of the overall effort. A more detailed progress report would be delivered to the Board at its 7 April, 2020 meeting.

5(c). Implementation of Decision to Enhance the Benefits of CAFII Associate Status

B. Wycks provided an update the Board on the implementation of the Board-approved decision, made at our October 1/19 meeting, to enhance the benefits and value proposition of CAFII Associate status. The Board at that meeting supported a recommendation to provide Associates with addition value by sharing the monthly Regulatory Updates with them, along with CAFII Alerts. A transmittal message on this new benefit is being crafted, with the intention of providing Associates with some recent Regulatory Updates and a list of 2019 CAFII Alerts.

5(d). Creation of Board-Mandated EOC Working Group to Explore A New Lower Due Category of CAFII Membership

M. Boyle reported that there had been discussion at the Board and EOC of the possible value of a new category of membership for smaller members. An EOC Working Group was therefore being developed to propose specifics, and the results of its work would be presented at a future meeting of the Board for consideration.

6. Other Business

6(a). Timetable for Finalization and Posting/Dissemination of CAFII Board Agenda and Meeting Materials Packages

B. Wycks provided an update to the Board on the implementation of the plan, which the Board had approved at its 1 October 2019 meeting, for earlier finalization and timelier posting and dissemination of the agenda and meeting materials for CAFII Board meetings. He advised that CAFII management was committed to posting the materials for meetings at least one week prior to meetings, and had made good, demonstrable progress on this initiative.

6(b). Provision of a “Briefing Note” For Each Board Meeting Agenda Item

K. Martin provided an update on implementation of the Board’s request to provide a Briefing Note for each Board meeting agenda item; and he made a request for some feedback from Directors on the Briefing Note that was introduced with today’s Board meeting materials.

He advised that the Briefing Note was intended to provide a short summary for each agenda item, including its purpose, objective, background information, and the decision the Board was being asked to take. Board feedback was positive and the consensus was that this was a valuable addition to the Board materials, and should be continued going forward.

6(c). Regulator and Other Special Guests Expected At December 3/19 CAFII Reception

B. Wycks updated the Board on the insurance regulators and policy-makers and other special guests who were expected to be in attendance at this evening’s CAFII Reception.

6(d). Next CAFII Board Meeting: Tuesday, April 7/20 In Levis, Quebec

B. Wycks updated the Board on the next Board meeting in April of 2020, noting that CAFII had received confirmation from the AMF that its CAFII-relevant staff executives would attend an informal lunch and Industry Issues Dialogue with CAFII on that date.

In other business, B. Wycks noted that a consultation paper had just been received from David Weir of New Brunswick’s Financial and Consumer Services Commission (FCNB), on the development of an RIA Regime in that province. The deadline for submissions is 31 January, 2020 and CAFII is gearing up to make a compelling submission.

Item 7. Meeting Termination

C. Lobbezoo thanked everyone for their participation and contributions to CAFII’s advancement through today’s Board meeting. The meeting was terminated and adjourned at 4:00 p.m.

2020 INITIATION MEMBER APPLICATION FORM

Organization Name: Sun Life Financial Inc.

Representative's Name and Title: Vikram Malik, Assistant Vice President

Address: 1 York Street

City: Toronto

Province: Ontario

Postal Code: M5J 0B6

Phone - Main: 416-979-6066

Direct: 437-388-5258 (mobile)

Fax: - -

Email: Vikram.malik@sunlife.com

Website: Sunlife.com

Parent Company: Sun Life Financial Inc.

Asset Size of Corporate Family: \$ 271. 8 billion assets under management (2018)

Annual Membership Dues

I. INITIATION

☒ \$44,000*

☐ \$22,000*

Financial organizations involved in the business of insurance in Canada are eligible to apply for Initiation Member status. Initiation Members are entitled to a single vote on Association decisions, regardless of corporate size. Dues are \$44,000* per annum for companies with consolidated corporate family assets of \$75 billion CAD or greater; and \$22,000* per annum for companies with consolidated corporate family assets below that threshold. Dues are payable in equal semi-annual instalments.

(*subject to modest increase of up to 5%, dependent upon the CAFII 2020 Operating Budget which will be approved by the Association's Board of Directors in January 2020)

CAFII Initiation Membership is valid from January 1 to December 31 each year; and the eligibility period for this membership class is two years.



Signature of Applicant:

Date: December 23, 2020

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

Background on CAFII Board-Approved “Initiation Membership” Category

Eligibility

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

Initiation Membership applicants may not have been a Member of CAFII for at least the past five years.

Term

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

Initiation Membership Dues Incentive

An applicant approved by the CAFII Board for Initiation Membership status will receive, for each of the first two years only, a 40% discount and pay 60% of the CAFII Member Dues that would otherwise be payable.

For example:

	2019 Dues	2020 Dues¹	Savings over 2 years
CAFII Regular Member (>\$75 billion assets)	\$73,438	\$73,438	
Initiation Member (>\$75 billion assets)	\$44,000	\$44,000	\$58,876
CAFII Regular Member (<\$75 billion assets)	\$36,719	\$36,719	
Initiation Member (<\$75 billion assets)	\$22,000	\$22,000	\$29,438

¹ assumes no change in Member Dues for 2020.

Privileges and Benefits

The privileges and benefits of CAFII Initiation Member status shall be identical to those of CAFII Regular Member status, including all of the following representation, voice, and influence dimensions:

- having a Director on the CAFII Board of Directors;
- participation/involvement in the Association’s Executive Operations Committee (EOC) and other committees;
- input to and involvement in CAFII submissions to insurance regulators and policy-makers;
- participation/involvement in CAFII regulator and policy-maker meetings and visits tours; and
- preferred access to CAFII-commissioned research results, etc.

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

- an Initiation Member's Director on the CAFII Board of Directors may not serve as Chair of the Board or Vice-Chair of the Board; and
- an Initiation Member representative may not serve as Chair of the CAFII Executive Operations Committee/Secretary to the Board.

Application Process

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

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

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

***Agenda Item 3(e)
January 21/20 EOC Meeting***

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

CAFII EOC Members:

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

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

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

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

Brendan Wycks, BA, MBA, CAE

Co-Executive Director
Canadian Association of Financial Institutions in Insurance

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

CAFII EOC Members:

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

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

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

Brendan Wycks, BA, MBA, CAE

Co-Executive Director

Canadian Association of Financial Institutions in Insurance

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

Eligibility

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

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

Term

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

Affiliate Membership Dues Incentive

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

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

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

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

Privileges and Benefits

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

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

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

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

Application Process

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

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

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

Agenda Item 3(f)
January 21/20 EOC Meeting

Proposed Date And Agenda Items For CAFII Special Purpose Board Teleconference Meeting

Date Options

- Friday, January 31/20
- Monday, February 3/20
- Tuesday, February 4/20
- Wednesday, February 5/20
- Thursday, February 6/20
- Friday, February 7/20

Agenda Items

- Discussion and decision on Sun Life Financial's application for CAFII Initiation Membership
- Approval of Revised Draft 2020 CAFII Operating Budget
- Feedback discussion on draft CAFII presentation deck for meeting with FCAC staff executives on Credit Protection Insurance Sales Practices and Related Fair Treatment of Consumers Implications
- Re-articulation and approval, via formal motion, of Board decisions reached in December 3/19 in camera session, e.g. decision to proceed with CAFII quarterly benchmarking study with RSM Canada as external actuarial services provider, etc.

CAFII

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

Statement of Operations As at Dec 31, 2019

	Current Month	Budget Dec-19	Variance to Monthly Budget	Current YTD	Budget '19 YTD	Variance Budget to YTD	Budget 2019
Revenue							
Membership Dues	\$61,222	\$61,422	(\$200)	\$734,664	\$737,064	(\$2,400)	\$737,064
Luncheon Revenue	\$0	\$0	\$0	\$195	\$195	\$0	\$195
Interest Revenue	\$107	\$3	\$104	\$982	\$33	\$949	\$33
TOTAL REVENUE	\$61,329	\$61,425	(\$96)	\$735,841	\$737,292	(\$1,451)	\$737,292
Expenses							
Management Fees	\$38,084	\$40,167	\$2,083	\$465,134	\$482,000	\$16,866	\$482,000
CAFII Legal Fees/Corporate Governan	\$0	\$0	\$0	\$0	\$1,000	\$1,000	\$1,000
Audit Fees	\$1,213	\$1,213	\$0	\$14,799	\$14,600	(\$199)	\$14,600
Insurance	\$449	\$462	\$13	\$5,338	\$5,500	\$162	\$5,500
Website Ongoing Maintenance	\$81	\$385	\$304	\$5,502	\$5,330	(\$172)	\$5,330
Telephone/Fax/Internet	\$664	\$487	(\$177)	\$6,494	\$5,800	(\$694)	\$5,800
Postage/Courier	\$0	\$37	\$37	\$159	\$400	\$241	\$400
Office Expenses	\$149	\$174	\$25	\$2,025	\$2,000	(\$25)	\$2,000
Bank Charges	\$50	\$6	(\$44)	\$112	\$50	(\$62)	\$50
Miscellaneous Expenses	\$0	\$38	\$38	\$0	\$500	\$500	\$500
Depreciation Computer/Office Equipm	\$95	\$100	\$5	\$1,136	\$1,200	\$64	\$1,200
Board/EOC/AGM							
Annual Members Lunch	\$0	\$0	\$0	\$12,052	\$12,089	\$37	\$12,089
Board Hosting (External)	\$7,637	\$0	(\$7,637)	\$14,001	\$30,000	\$15,999	\$30,000
Board/EOC/Meeting Expenses	\$1,599	\$2,600	\$1,001	\$35,419	\$26,000	(\$9,419)	\$26,000
Industry Events	\$0	\$0	\$0	\$0	\$1,300	\$1,300	\$1,300
EOC Annual Appreciation Dinner	\$0	\$0	\$0	\$2,193	\$2,193	\$0	\$2,193
Sub Total Board/EOC/AGM	9,236	2,600	- 6,636	\$63,665	71,582	7,917	71,582
Provincial Regulatory Visits	\$4,241	\$0	(\$4,241)	\$16,833	\$12,000	(\$4,833)	\$12,000
Research/Studies	\$538	\$1,000	\$462	\$5,368	\$5,000	(\$368)	\$5,000
Website SEO and Enhancements	\$11,173	\$3,333	(\$7,839)	\$40,914	\$40,000	(\$914)	\$40,000
Regulatory Model(s)	\$0	\$0	\$0	\$7,555	\$25,000	\$17,445	\$25,000
Federal Financial Reform	\$0	\$0	\$0	\$442	\$500	\$58	\$500
Media Outreach	\$2,260	\$2,917	\$657	\$32,803	\$35,000	\$2,197	\$35,000
Marketing Collateral	\$335	\$0	(\$335)	\$1,629	\$5,000	\$3,371	\$5,000
Speaker fees & travel	\$0	\$0	\$0	\$1,189	\$2,000	\$811	\$2,000
Gifts	\$100	\$0	(\$100)	\$200	\$500	\$300	\$500
Networking Events	\$0	\$0	\$0	\$0	\$500	\$500	\$500
Sub Total Networking & Events	100	-	- 100	\$1,389	3,000	1,611	3,000
TOTAL EXPENSE	68,669	52,919	- 15,750	\$671,296	715,462	44,166	715,462
NET INCOME	- 7,340	8,506	- 15,846	\$64,545	21,830	42,715	21,830

Explanatory Notes:

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

CAFII

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

Balance Sheet As at Dec 31, 2019

	CAFII Operations			CCBPI Project			Combined		
	31-Dec 2019	30-Nov 2019	31-Dec 2018	31-Dec 2019	30-Nov 2019	31-Dec 2018	31-Dec 2019	30-Nov 2019	31-Dec 2018
ASSETS									
Current Assets									
Bank Balance	\$251,549	\$318,002	\$193,381	\$0	\$0	\$0	\$251,549	\$318,002	\$193,381
Savings Account	\$887	\$875	\$0	\$113,143	\$205,257	\$0	\$114,030	\$206,132	\$0
Accounts Receivable	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Prepaid Expenses	3,251	14,122	2,197	\$0	\$0	\$0	\$3,251	\$14,122	\$2,197
Computer/Office Equipment	\$8,014	\$8,014	\$8,014	\$0	\$0	\$0	\$8,014	\$8,014	\$8,014
Accumulated Depreciation -Comp/Equip	(\$5,742)	(\$5,647)	(\$4,605)	\$0	\$0	\$0	(\$5,742)	(\$5,647)	(\$4,605)
Total Current Assets	\$257,959	\$335,365	\$198,986	\$113,143	\$205,257	\$0	\$371,102	\$540,622	\$198,986
TOTAL ASSETS	\$257,959	\$335,365	\$198,986	\$113,143	\$205,257	\$0	\$371,102	\$540,622	\$198,986
LIABILITIES									
Current Liabilities									
Accrued Liabilities	\$14,899	\$13,387	\$18,409	\$0	\$0	\$0	\$14,899	\$13,387	\$18,409
Credit Card	\$1,223	\$370	\$0	\$0	\$0	\$0	\$1,223	\$370	\$0
Account Payable	\$7,093	\$18,303	\$10,379	\$0	\$92,114	\$0	\$7,093	\$110,417	\$10,379
Deferred Revenue	\$0	\$61,222	\$0	\$113,143	\$113,143	\$0	\$113,143	\$174,365	\$0
Total Current liabilities	\$23,215	\$93,282	\$28,788	\$113,143	\$205,257	\$0	\$136,359	\$298,539	\$28,788
TOTAL LIABILITIES	\$23,215	\$93,282	\$28,788	\$113,143	\$205,257	\$0	\$136,359	\$298,539	\$28,788
UNRESTRICTED NET ASSETS									
Unrestricted Net Assets, beginning of year	\$170,198	\$170,198	\$180,447	\$0	\$0	\$0	\$170,198	\$170,198	\$180,447
Excess of revenue over expenses	\$64,545	\$71,885	(\$10,248)	\$0	\$0	\$0	\$64,545	\$71,885	(\$10,248)
Total Unrestricted Net Assets	\$234,743	\$242,083	\$170,198	\$0	\$0	\$0	\$234,743	\$242,083	\$170,198
Total Unrestricted Net Assets	\$234,743	\$242,083	\$170,198	\$0	\$0	\$0	\$234,743	\$242,083	\$170,198
TOTAL LIABILITIES AND UNRESTRICTED	\$257,959	\$335,365	\$198,986	\$113,143	\$205,257	\$0	\$371,102	\$540,622	\$198,986

Financial Reserves Targets as per 2019 Budget:

Minimum 3 months (25%) of Annual Operating Expenses= \$ 178,866
Maximum 6 months (50%) of Annual Operating Expenses= \$ 357,731

Current Level of Financial Reserves (total unrestricted net assets): **\$234,743**
Current Level of Financials Reserve (%): **33%**

CCBPI Initiative

Invoice paid to Stikeman Elliott on 19th December 2019 for Consulting Services incurred to date (31 October 2019) for \$92,113.81 (\$81,516.65 plus HST)

CAFII

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

Membership Fees As At December 31st, 2019

	<u>Jan-18</u>		<u>Jul-18</u>	
	<u>To be billed</u>	<u>Received</u>	<u>To be billed</u>	<u>Received</u>
BMO Bank of Montreal	\$ 36,719.00	14-Mar-19	\$ 36,719.00	16-Aug-19
CIBC Insurance	\$ 36,719.00	28-Feb-19	\$ 36,719.00	29-Jul-19
RBC Insurance	\$ 36,719.00	25-Feb-19	\$ 36,719.00	30-Jul-19
ScotiaLife Financial	\$ 36,719.00	11-Feb-19	\$ 36,719.00	11-Jul-19
TD Insurance	\$ 36,719.00	11-Feb-19	\$ 36,719.00	31-Jul-19
Desjardins Financial Security Life Assurance Company	\$ 36,719.00	8-Apr-19	\$ 36,719.00	26-Aug-19
AMEX Bank of Canada				
Assurant Solutions	\$ 18,360.00	12-Feb-19	\$ 18,359.00	4-Jul-19
Canadian Premier Life Insurance Company	\$ 18,360.00	23-May-19	\$ 18,359.00	16-Aug-19
Cumis Group Ltd/Co-operators Life Insurance Co.	\$ 18,360.00	14-Mar-19	\$ 18,359.00	9-Jul-19
National Bank Life Insurance Company	\$ 27,540.00	15-Feb-19	\$ 27,539.00	8-Jul-19
Manulife Financial	\$ 22,000.00	29-May-19	\$ 22,000.00	11-Jul-19
The Canada Life Assurance Company	\$ 22,000.00	25-Feb-19	\$ 22,000.00	22-Jul-19
RSM Canada	\$ 4,800.00	15-Feb-19		
Willis Towers Watson	\$ 4,800.00	4-Apr-19		
KPMG MSLP	\$ 4,800.00	27-Feb-19		
Munich Reinsurance Company Canada Branch (Life)	\$ 4,800.00	15-Feb-19		
Optima Communications	\$ 4,800.00	28-Mar-19		
RGA Life Reinsurance Company of Canada	\$ 4,800.00	25-Feb-19		
DGA Careers Inc.				
AXA Assistance Canada				
Torys LLP	\$ 4,800.00	13-Feb-19		
PWC	\$ 4,800.00	15-Jul-19		
RankHigher.ca			\$ 2,400.00	9-Jul-19
Feb Invoices	\$385,334		\$349,330	
July Invoices	\$349,330			
Total Membership Fees	\$734,664			
Total amount to reallocate monthly Jan-Sept	\$ 61,222			
Total amount to reallocate monthly Oct-Dec	\$ 61,222			

Consultation Paper Insurance 2019

Incidental Selling of Insurance
Restricted Insurance Licensing Regime

Insurance Division
December 2019

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Introduction

Established in 2013, the Financial and Consumer Services Commission is responsible for the administration and enforcement of provincial legislation that regulates insurance, securities, pensions, credit unions, trust and loan companies, co-operatives and a wide range of consumer legislation.

Our mission is to protect consumers and enhance public confidence in our financial and consumer marketplaces through the provision of regulatory and educational services.

The New Brunswick *Insurance Act* prohibits anyone from acting or undertaking to act as an insurance agent or broker unless that person holds a licence or is otherwise authorized to do so under the *Act*. Traditionally, consumers purchased insurance through licensed insurance agents who were employed by insurance companies or through independent brokers who had direct contracts with insurance companies. Over time, there has been a significant growth in the sale of insurance from other sources. In particular, several non-insurance businesses are now marketing and selling insurance products in conjunction with the sale of other products or the provision of services. This is commonly referred to as “incidental selling of insurance.” The Canadian Council of Insurance Regulators (CCIR), in its “Incidental Selling of Insurance Report” (ISI Report) (see www.ccir-ccra.org/Documents/View/2777), defined an “incidental seller of insurance” as:

“a person who, in pursuing activities in a field other than insurance, offers as an accessory, for an insurer, an insurance product which relates solely to goods sold or services offered by the person or secures a client’s enrolment in respect of such an insurance product.”

This would include insurance products being offered by automobile dealers, banks, credit unions, mortgage brokerages and retailers. In many cases, the insurance products are related to loans that are obtained to purchase a product. For example, a consumer may obtain a loan to purchase a vehicle and the automobile dealership may offer insurance that might pay off the balance of, or make payments on, the loan in case of disability or death.

The Financial and Consumer Services Commission proposes to regulate the incidental selling of insurance through a restricted insurance licensing regime similar to regimes adopted in Alberta, Saskatchewan and Manitoba. The primary objective is to protect consumers by ensuring that those who engage in incidental selling of insurance are knowledgeable and accountable and that consumers have sufficient information to allow them to make an informed decision about purchasing insurance.

The Commission has prepared this Consultation Paper to facilitate dialogue with stakeholders who wish to provide feedback on the proposed framework for regulating the incidental selling of insurance.

1. Licensing of Incidental Sellers of Insurance

The Commission proposes that the *Insurance Act* be amended to authorize the Superintendent of Insurance to issue a restricted insurance licence to certain types of businesses to allow the business and its employees to act as an incidental seller of insurance. The employees would not be required to hold an individual licence, but would operate under the business's restricted insurance licence and would be permitted to solicit, negotiate, sell or arrange certain prescribed classes or types of insurance.

Definition of "Incidental seller of Insurance"

The Commission proposes that "incidental seller of insurance" be defined to mean:

“a person that, in the course of selling or providing goods or services to the person's customers or clients, solicits, negotiates, sells or arranges insurance, or offers to sell, negotiate or arrange insurance, that relates to those goods or services.”

This is the definition currently used in Manitoba.

Eligible Businesses

The Commission proposes that a restricted insurance licence could be issued to any of the following businesses:

- A deposit-taking institution – a bank, credit union, caisse populaire, or loan or trust company;
- A sales finance company – a corporation, other than a financial institution¹, that provides consumer loans, or provides or arranges for credit;
- A transportation company that provides transportation service for goods;
- An automobile dealership, a watercraft dealership, a recreational vehicle dealership, a farm implement dealership or a construction equipment dealership;
- A mortgage brokerage licensed under the *Mortgage Brokers Act*;
- A customs brokerage;
- A freight forwarding business;
- A vehicle rental business (incl. construction equipment rentals);
- A portable electronics vendor – a business that sells or leases portable electronic devices or provides the devices in connection with a transaction between the business and a consumer;

¹ “Financial institution” would be defined similar to the definitions in the Manitoba and Saskatchewan regimes.

- A business engaged by one of these businesses to solicit, negotiate, sell or arrange insurance on its behalf.

Classes and Types of Insurance

Under the existing restricted insurance licence regimes in other jurisdictions, licence holders are only permitted to deal with certain classes or types of insurance. The Commission proposes to allow restricted insurance licence holders and their employees to solicit, negotiate, sell or arrange the following classes or types of insurance:

- **Cargo insurance** – insurance within the class of property insurance that provides coverage only against damage to or the loss of goods in transit;
- **Creditor’s critical illness insurance** – a group insurance policy, or a creditor’s group insurance policy, that is within the class of accident and sickness insurance and will pay all or part of the amount of a debt of a debtor to the creditor insured under the policy, in the event of a diagnosis of a covered illness or medical condition with respect to,
 - Where the debtor is a natural person, the debtor or the spouse of the debtor;
 - A natural person who is a guarantor of all or part of the debt;
 - Where the debtor is a body corporate, any director or officer of the body corporate; or
 - Where the debtor is an entity other than a natural person or a body corporate, any natural person who is essential to the ability of the debtor to meet the debtor’s financial obligations.
- **Creditor’s disability insurance** – a group insurance policy, or a creditor’s group insurance policy, that is within the class of accident and sickness insurance and will pay all or part of the amount of a debt of a debtor to the creditor insured under the policy, in the event of bodily injury to, or an illness or disability of:
 - Where the debtor is a natural person, the debtor or the spouse of the debtor;
 - A natural person who is a guarantor of all or part of the debt;
 - Where the debtor is a body corporate, any director or officer of the body corporate; or
 - Where the debtor is an entity other than a natural person or a body corporate, any natural person who is essential to the ability of the debtor to meet the debtor’s financial obligations.
- **Creditor’s life insurance** – a group insurance policy, or a creditor’s group insurance policy, that is within the class of life insurance and that will pay all or part of the amount of the debt of a debtor to the creditor insured under the policy or, where a debt is in respect of a small business², a farm or

² “Small business” would be defined similar to the definitions in the Manitoba and Saskatchewan regimes.

fishery, all or part of the amount of the credit limit of a line of credit owing to the creditor, in the event of the death of:

- Where the debtor is a natural person, the debtor or the spouse of the debtor;
 - A natural person who is a guarantor of all or part of the debt;
 - Where the debtor is a body corporate, any director or officer of the body corporate; or
 - Where the debtor is an entity other than a natural person or a body corporate, any natural person who is essential to the ability of the debtor to meet the debtor's financial obligations.
- **Creditor's loss of employment insurance** – insurance within the class of credit protection insurance that will pay, without any individual assessment of risk, all or part of the amount of a debt of a debtor to the creditor insured under the policy in the event that:
 - The debtor, if the debtor is a natural person, becomes involuntarily unemployed; or
 - A natural person who is a guarantor of all or part of the debt becomes involuntarily unemployed.
 - **Creditor's vehicle inventory insurance** – insurance within the class of credit protection insurance that provides coverage against direct and accidental loss or damage to vehicles that are held in stock for display and sale purposes by a debtor of a creditor, if some or all of those vehicles have been financed by the creditor.
 - **Export credit insurance** – insurance within the class of surety insurance, which provides coverage to an exporter of goods or services against a loss incurred by the exporter due to non-payment for exported goods or services.
 - **Guaranteed asset protection insurance** – insurance within the class of property insurance or automobile insurance that:
 - Provides coverage to a motor vehicle, recreational vehicle, watercraft, farm implement or equipment owner or lessee, in the event of the unrecovered theft of the motor vehicle, recreational vehicle, watercraft, farm implement or equipment or its total loss, for some or all of the amount owed on the purchase financing for the motor vehicle, recreational vehicle, watercraft, farm implement or equipment or on the lease agreement, after credit for money received in respect of the theft or loss from any other insurance under which the owner or lessee has coverage for the value of the motor vehicle, recreational vehicle, watercraft, farm implement or equipment; and
 - May also provide coverage for some or all of the cost of purchasing or leasing a replacement motor vehicle, replacement recreational vehicle, replacement watercraft, replacement farm implement or replacement equipment.

- **Mortgage insurance** – insurance against loss caused by default on the part of a borrower under a loan secured by a mortgage or charge on, or other security interest in, real property.
- **Portable electronics insurance** – insurance within the class of property insurance that provides coverage against damage to or the loss of a portable electronic device.
- **Rented-vehicle accidental injury or death insurance** – insurance within the class of automobile insurance that provides coverage to a vehicle renter and other occupants of the rented vehicle for bodily injury or death and reimbursement for medical expenses resulting from a vehicular accident involving the rented vehicle that occurs during the rental period.
- **Rented-vehicle contents insurance** – insurance within the class of property insurance that provides coverage to a vehicle renter and other occupants of the rented vehicle against damage to or the loss of personal property in the rented vehicle during the rental period.
- **Rented-vehicle liability insurance** – insurance within the class of automobile insurance that provides coverage to a vehicle renter and other authorized drivers of the rented vehicle for liability arising from its operation.

Travel Insurance

Alberta, Saskatchewan and Manitoba have included travel insurance within their restricted insurance licensing regimes for certain entities. The Commission proposes to continue issuing a separate travel insurance agent licence to any individual who solicits, negotiates, sells or arranges travel insurance.

Funeral Insurance

Alberta and Manitoba have included “funeral services insurance” or “funeral expense insurance” within their restricted insurance licensing regimes. Funeral services insurance, or funeral expense insurance, is life insurance that is specifically purchased to cover the future cost of funeral or cremations services. The Commission proposes not to include this type of insurance as part of the restricted insurance licensing regime. In January 2006, the Insurance Division issued a bulletin clarifying that anyone selling funeral services or funeral expense insurance had to be licensed as a life insurance agent under the *Insurance Act*. The Commission proposes to maintain the requirement that all individuals soliciting, negotiating, selling or arranging funeral services or funeral expense insurance hold a life insurance agent licence.

Equipment Warranty Insurance

Alberta and Saskatchewan include “equipment warranty insurance” within their restricted insurance licensing regimes. Saskatchewan defines “equipment warranty insurance” as “insurance within the subclass of boiler and machinery insurance that provides coverage against loss of or damage to a motor vehicle, recreational, marine, farm implement or construction equipment, arising from its mechanical failure, but does not include automobile insurance or insurance incidental to automobile insurance.”

The Commission does not consider warranties or extended warranties to be insurance where the warranty is sold incidentally to the product and is sold by the “distributor” of the product or an affiliate of the distributor with a non-arm's length relationship. A “distributor” is defined by the *Consumer Product Warranty and Liability Act* to include “a producer, processor, manufacturer, importer, wholesaler, retailer or dealer.” Anyone other than a distributor or an affiliate of the distributor would not be selling the warranty incidentally. Therefore, the Commission proposes to exclude equipment warranty insurance from the restricted insurance licensing regime.

Specific Classes or Types of Insurance for Businesses

The Commission proposes that the eligible businesses listed above would be limited under the restricted insurance licensing regime to being licensed for the following classes or types of insurance:

Business	Eligible Class or Type of Insurance
Deposit Taking Institution	Creditor's Critical Illness Insurance Creditor's Disability Insurance Creditor's Life Insurance Creditor's Loss of Employment Insurance Creditor's Vehicle Inventory Insurance Export Credit Insurance Mortgage Insurance
Sales Finance Company	Creditor's Critical Illness Insurance Creditor's Disability Insurance Creditor's Life Insurance Creditor's Loss of Employment Insurance
Transportation Service	Cargo Insurance
Automobile Dealership, Watercraft Dealership, Recreational Vehicle Dealership, Farm Implement Dealership or Construction Equipment Dealership	Creditor's Critical Illness Insurance Creditor's Disability Insurance Creditor's Life Insurance Creditor's Loss of Employment Insurance Guaranteed Asset Protection Insurance
Mortgage Brokerage	Creditor's Critical Illness Insurance Creditor's Disability Insurance Creditor's Life Insurance Creditor's Loss of Employment Insurance Mortgage Insurance
Customs Brokerage	Cargo Insurance
Freight Forwarding Business	Cargo Insurance
Vehicle Rental Business	Rented-Vehicle Accidental Injury or Death Insurance Rented-Vehicle Contents Insurance Rented-Vehicle Liability Insurance
Portable Electronics Vendor	Portable Electronics Insurance

Consultation Questions:

- 1.1 How should "incidental seller of insurance" be defined?
- 1.2 What businesses should be eligible to receive a restricted insurance licence? Please elaborate on your response.
- 1.3 What classes or types of insurance should be permitted to be solicited, negotiated, sold or arranged under a restricted insurance licence? Please elaborate on your response.
- 1.4 Do you agree with the classes or types of insurance that the Commission proposes to exclude from the restricted insurance licensing regime, thereby requiring individuals who sell those products to be fully licensed? Please elaborate on your response.
- 1.5 What other terms should be defined, and how should they be defined? Please elaborate on your response.
- 1.6 For which classes or types of insurance should specific businesses be eligible to seek a licence? Please elaborate on your response.
- 1.7 Please comment on any other matters for consideration on this issue.

2. Obtaining a Licence

Licensing Requirements

The Commission proposes that to obtain or renew a restricted insurance licence, a business must:

- Complete an application in a form approved by the Superintendent that includes:
 - The type of insurance for which the licence is to be issued;
 - The number of employees who will be authorized to solicit, negotiate, sell or arrange insurance on behalf of the applicant when and if the licence is issued.
- Pay the appropriate application fee;
- Be registered with the New Brunswick Corporate Registry, where applicable.
- Be sponsored by an insurer that:
 - Is licensed in New Brunswick for the class of insurance for which the restricted insurance licence will be issued, or that includes the type of insurance for which the restricted insurance licence will be issued; and
 - Has an agreement with the business that allows the business to act as an incidental seller on behalf of the insurer.
- Have a designated representative; and
- Provide proof of errors and omissions insurance.

The Superintendent would be authorized to issue a restricted insurance licence to a business where the Superintendent is satisfied that the business:

- Meets all the requirements for licensing under the *Act*, the regulations or the rules;
- Is suitable to hold a licence and the proposed licence is not for any reason objectionable; and
- Intends to carry on business as an incidental seller.

The licence would authorize the business and its employees to solicit, negotiate, sell or arrange the classes or types of insurance that are specified on the licence and that are offered in the course of the business activity specified on the licence.

Ability of Superintendent to Require Additional Information

As indicated above, the employees of a restricted insurance licence holder would be permitted to solicit, negotiate, sell or arrange certain types of insurance, but would not be individually licensed. Based on a review of the other restricted insurance licensing regimes, the Commission is not proposing that an applicant for a restricted insurance licence provide the names of all employees who will be engaged in the business of insurance. However, the Commission proposes that, upon request, a restricted insurance licence holder must supply a list of all employees engaged in the business of insurance and any additional information required by the Superintendent with respect to any such employee(s).

Sponsorship by an Insurance Company and Duty to Report

The Commission proposes that every insurer that intends to sponsor a business seeking a restricted insurance licence be required to have reasonable screening procedures to determine whether the business is suitable to act as an incidental seller and to use those procedures before sponsoring the business.

Further, where the insurer terminates its sponsorship of a restricted insurance licence, the Commission proposes requiring the insurer to provide the Superintendent with written notice of the termination, with reasons, no later than 15 days after the termination.

Obligations of Insurer

The Commission proposes that any insurer whose products are marketed and distributed through a restricted insurance licence holder must:

- Establish reasonable and demonstrable policies and procedures to ensure that anyone who solicits, negotiates, sells or arranges insurance on behalf of the licence holder is knowledgeable and competent, taking into account the class or type of insurance; and
- Ensure that the policies and procedures are complied with.

To further enhance consumer protection, the Commission is also proposing that any insurer whose products are marketed and distributed through a restricted insurance licence holder must provide the Superintendent detailed written notice, within 15 days of becoming aware, where the insurer has reasonable grounds to believe that the restricted insurance licence holder or any employee of the licence holder engaged in the business of insurance is not suitable to carry on the business of insurance.

Designated Representative

As indicated, a restricted insurance licence holder is required to have a designated representative. A designated representative would be a single individual who is the primary contact for the business for regulatory purposes and who is responsible for supervising insurance activities of the licence holder.

The commission proposes that anyone seeking to be named the designated representative of a restricted insurance licence holder must:

- Be a director, officer or a management employee of the licence holder if it is a corporation;

- Be a member of the partnership if the licence holder is a partnership; or
- In a case where the restricted insurance licence is issued to an individual in connection with a business — carried on by the individual — that is not a corporation or a partnership, is that individual.

Replacement of a Designated Representative

The Commission proposes that if a designated representative of a restricted insurance licence holder ceases to be the designated representative, the licence holder must, within 10 business days:

- Notify the Superintendent in writing and provide reasons; and
- Submit a new eligible candidate.

If the business does not submit a new candidate within 10 business days, the restricted insurance licence is automatically suspended. The Superintendent will also have the authority to appoint a temporary designated representative for up to 14 days, unless extended.

Designated Representative's Responsibilities

The Commission proposes that the designated representative would be responsible for the reasonable and prudent oversight of all insurance activities carried on by the restricted insurance licence holder and its employees. The Commission proposes that a designated representative's supervisory responsibilities include, but not be limited to, ensuring that:

- The licence holder complies with the Act, Regulations and Rules;
- The licence holder operates in accordance with any conditions and restrictions on their licences;
- The licence holder has reasonable and demonstrable policies and procedures to ensure that any employee carrying on insurance on its behalf is knowledgeable, competent and suitable, taking into account the class or type of insurance and that these employees comply with these policies and procedures;
- The licence holder has appropriate written procedures, which include, but are not limited to, such matters as proper file maintenance;
- Trust monies are handled properly and all books and records are properly maintained;
- Errors and omissions insurance is properly maintained;
- Regular reviews are conducted of the work of employees carrying out insurance to ensure that there are no issues related to compliance, competence or ethics. Regular reviews would include auditing samples of client files.

Further any notices or documents that need to be served on the licence holder would be served on the designated representative.

Designated Representative's Duty to Report

The Commission proposes that a designated representative be required to report within 10 business days any of the following:

- Change in name of the licence holder;
- Change of ownership of the licence holder;
- Any misconduct with respect to the business of insurance by the employees of the licence holder;
- Any change in errors and omissions coverage; and
- Any errors and omissions claim against the licence holder or any employee with respect to the business of insurance, with details.

Errors and omissions insurance

In the course of carrying on the business of insurance, a restricted insurance licence holder may become liable to an insured or an insurer. Liability insurance offers greater protection to consumers and insurance companies. It also protects a licence holder by covering potential losses and defraying costs of defending an action. Therefore, the Commission proposes that restricted insurance licence holders must maintain the following coverage for the business and its employees with respect to carrying on the business of insurance:

- Liability insurance of at least \$2,000,000 in respect of any one occurrence and an overall policy aggregate of at least \$5,000,000 in respect of an occurrence with regard to negligent acts, errors or omissions with extended coverage for loss resulting from fraudulent acts pertaining to the licensed activity;
- Fidelity insurance against losses arising from dishonesty (including fraud) of employees, a proprietor or partners, directors and officers for an amount of not less than \$100,000.00 in coverage;
- Coverage amounts would be exclusive of defence and investigative expenses;
- Coverage would be for all of the insurance products that the restricted insurance licence holder is licensed to sell or arrange; and
- The coverage would require a 12-month extended reporting period.

The Commission further proposes that the insurer who issues the policy be required to provide 30 days' notice to the Superintendent before cancelling or refusing to renew the policy. Finally, the Commission

proposes that a licence holder's licence be automatically suspended on the effective termination date or non-renewal date of the insurance policy, unless a new policy is in place.

Conditions, Revocation or Suspension of a Licence

The Commission proposes that the Superintendent be authorized to impose any terms and conditions on a restricted insurance licence holder that the Superintendent considers appropriate. This is consistent with the Superintendent's authority under section 390 of the *Insurance Act* to impose terms and conditions on other licensees.

The Commission proposes that the Superintendent be granted the discretion to revoke, suspend, or refuse to renew or reinstate a restricted insurance licence if, after giving the licensee an opportunity to be heard, the Superintendent determines that the licensee:

- Contravened a provision of the Act, the regulations or rules;
- Made a material misstatement or omission in the application for the licence;
- Committed a fraudulent act or practice;
- Failed or refused to comply with any limitation or conditions placed on the licence;
- Demonstrated incompetence or untrustworthiness to transact the business for which the licence was granted;
- Allowed an employee on salary or otherwise to solicit, negotiate, sell or arrange insurance on its behalf where the person had an application for a licence as an insurance agent or adjuster refused, or had a licence suspended or revoked by the Superintendent, without having first obtained the written approval of the Superintendent; or
- Is otherwise unsuitable to be licensed.

Further, although individual employees of a restricted insurance licence holder will not be licensed, the Commission proposes that the Superintendent be authorized to prohibit any person from soliciting, negotiating, selling or arranging insurance on behalf of the licence holder where the Superintendent determines, after giving the individual an opportunity to be heard, that they have committed a fraudulent act or practice or demonstrated incompetency or untrustworthiness, or is otherwise unsuitable.

As with other licences, these decisions could be appealed to the Financial and Consumer Services Tribunal.

Consultation Questions:

- 2.1 What should the requirements be for obtaining or renewing a restricted insurance licence? Please elaborate on your response.

- 2.2 Do you foresee any operational challenges with authorizing the Superintendent to obtain a list of employees engaged in the business of insurance and information on any such employee? If so, what do you propose? Please elaborate on your response.
- 2.3 What should the requirements be for insurers who sponsor a restricted insurance licence? Please elaborate on your response.
- 2.4 What obligations should be on an insurer whose products are being sold by a restricted insurance licence holder (e.g., establishing policies and procedures and duty to report)? Please elaborate on your response.
- 2.5 What should the eligibility requirements be for a designated representative and what should the process be for replacing a designated representative? Please elaborate on your response.
- 2.6 Should the designated representative be fully licensed for the area of insurance that is being offered by the restricted insurance licence holder? For example, should the designated representative for a restricted insurance licence holder offering creditor's life insurance products be required to hold a full life insurance licence? Please elaborate on your response.
- 2.7 What should supervisory responsibilities be for a designated representative and what should they be required to report? Please elaborate on your response.
- 2.8 Where a restricted insurance licence holder has multiple locations, in addition to a designated representative, should there be an on-site supervisor of insurance business at each location? If so, what should be the eligibility requirements to be an on-site supervisor? What should be the supervisory responsibilities for an on-site supervisor? Please elaborate on your response.
- 2.9 Are the proposed requirements for errors and omissions insurance sufficient? If not, what do you propose? Please elaborate on your response.
- 2.10 Do you foresee any operational challenges with requiring an errors and omissions insurer to provide 30 days' notice to the Superintendent before being permitted to cancel or refuse to renew an errors and omissions policy? If so, what do you propose? Please elaborate on your response.
- 2.11 Do you foresee any operational challenges with authorizing the Superintendent to prohibit any person from soliciting, negotiating, selling or arranging insurance on behalf of the restricted insurance licence holder? If so, what do you propose? Please elaborate on your response.
- 2.12 Please comment on any other matters for consideration on this issue.

3. Market Conduct, Disclosure Requirements and Right to Rescind

Use of Personal Information

The Commission proposes that restricted insurance licence holders and their employees be prohibited from using personal information provided by a consumer purchasing insurance for any purpose other than the purpose for which the information was provided and only when the consumer provides consent. The consent must be identified as a consent to use personal information and specifically identify the purpose for which the information may be used by the licence holder or an employee.

Further, the Commission proposes that restricted insurance licence holders and their employees be prohibited from releasing personal information provided by a consumer to anyone who is not an employee of the licence holder, unless the consumer provides consent. The consent must be identified as a consent to release personal information and specifically identify the personal information that may be released, to whom the personal information may be released and the purpose for which the released personal information may be used. The prohibition against the release of personal information would not apply if the personal information is released to the insurer on whose behalf the licence holder is transacting insurance, or a person as required by law.

For clarity, restricted insurance licence holders and their employees must, upon request, provide the Superintendent and staff with any information related to the carrying on of the business of insurance.

Prohibitions with Respect to Employees

The Commission proposes that a restricted insurance licence holder must obtain the Superintendent's written approval before allowing one of their employees to solicit, negotiate, sell or arrange insurance on its behalf where the employee had been refused an insurance licence or has had an insurance licence revoked or suspended.

Also, the Commission proposes prohibiting a restricted insurance licence holder from permitting a person to solicit, negotiate, sell or arrange insurance on its behalf unless the person has been suitably trained to be able to knowledgeably solicit, negotiate, sell or arrange the class or type of insurance involved.

Separate Insurance Application

To enhance the consumer's ability to fully appreciate the nature of the insurance product being offered and to assess whether the insurance is suitable for their needs, the Commission proposes that restricted insurance licence holders and their employees be required to provide the consumer with a separate application for the insurance coverage. The requirement would apply for the following classes or types of insurance:

- creditor's critical illness insurance;
- creditor's disability insurance;

- creditor's life insurance;
- creditor's loss of employment insurance;
- guaranteed asset protection insurance;
- mortgage insurance; or
- portable electronics insurance.

Further, upon request, the restricted insurance licence holder must provide the consumer making an application with a copy of the completed insurance application.

Prohibition Against Tied Selling

The Commission proposes to prohibit restricted insurance licence holders and their employees from:

- Making the provision of goods or services conditional upon the consumer's purchase of insurance through it or from an insurer specified by the licence holder or its employee; or
- Advising a consumer who wishes to purchase insurance in relation to goods or services that the consumer must purchase the insurance through the licence holder or from a specific insurer.

However, this would not prevent a restricted insurance licence holder or its employees from advising a consumer who is seeking a loan that they must purchase insurance to protect the lender against default by the borrower. To clarify, a lender can insist that the borrower purchase insurance to protect the lender against default by the borrower, but they cannot insist that the borrower purchase the insurance from them or from a specific insurer.

Disclosure Requirements

When insurance is sold incidentally to the sale of goods or the provision of services, the consumer's focus may be on the particular goods or services and not on the insurance. The sales environment may not allow the consumer to make an informed decision with respect to the need for the particular insurance product being offered. Therefore, it is important to ensure that the consumer has access to appropriate information about the insurance product to make an appropriate choice.

The Commission proposes that a restricted insurance licence holder or its employee, at the time the consumer applies for insurance coverage, must:

- Inform the consumer that they are contracting with, or considering contracting with, an insurer and not with the licence holder;
- Inform the consumer of the name of the insurer that is providing the insurance, that they may contact the insurer for further information or clarification, and how to contact that insurer;

- Provide the consumer with a summary of the terms, including limitations, exclusions and restrictions, of the insurance³;
- Provide the consumer with a summary of the circumstances under which the insurance commences or terminates and the procedures to follow in making a claim;
- Notify the consumer that, upon approval of the application,
 - the insurance policy and documentation describing the insurance coverage will be sent to the consumer, or
 - a certificate will be sent to the consumer if the insurance applied for is group insurance;
- Inform the consumer of the cost of the insurance and any direct or indirect compensation, inducement or benefit from the insurer to the licence holder or employee for soliciting, negotiating, selling or arranging the insurance.

Where the consumer is applying for creditor's disability insurance, creditor's life insurance, creditor's loss of employment insurance, guaranteed asset protection insurance, mortgage insurance, or portable electronics insurance, a restricted insurance licence holder or its employees must provide the consumer with a statement that sets out the right to rescind the insurance contract and to obtain a full refund of the premium.

Where the consumer is applying for creditor's disability insurance, creditor's life insurance, creditor's loss of employment insurance, guaranteed asset protection insurance, or mortgage insurance, a restricted insurance licence holder or its employees must provide the consumer with a statement that the duration of the insurance is less than the term of the amortization period of any related loan, or that the amount of the insurance is less than the indebtedness, if that is the case.

Where a consumer is applying for rented-vehicle accidental injury or death insurance, rented-vehicle contents insurance, or rented-vehicle liability insurance, a restricted insurance licence holder or its employees must inform the consumer that the insurance may provide a duplication of coverage already provided by the vehicle renter's automobile insurance policy or by another source of coverage.

Where a consumer purchases an insurance product through a restricted insurance licence holder or its employees, the licence holder must ensure that, within 20 business days of the insurance coverage coming into force, the consumer is provided with:

- Documentation evidencing the insurance coverage;
- Documentation setting out that the person is contracting with an insurer and not with the licence holder; and

³ For credit-related insurance products, it is expected that this disclosure will include information on pre-existing conditions and the consequences of misrepresentation in accordance with the Canadian Life and Health Insurance Association's Guideline G7 - Creditor's Group Insurance.

- The policy and documentation describing the insurance, or, in the case of group insurance, a certificate.

Insurer's Responsibility

An insurer on whose behalf a restricted insurance licence holder or its employees are marketing, soliciting, negotiating, selling or arranging insurance must ensure that reasonable and demonstrable procedures are in place respecting the disclosure requirements set out under this topic and ensure that the procedures are being followed.

Right to Rescind

In addition to ensuring that consumers have enough information about an insurance product, it is important that consumers have enough time and resources to adequately assess the suitability of the insurance product. According to the CCIR ISI Report, the practice in industry is to provide consumers with a cooling off period, usually 10 days, during which the consumer can cancel the insurance product and obtain a full refund of the premium. This, among other things, would allow the consumer to review the documentation, re-evaluate the need for the insurance, and, if they wish, to seek advice from a fully licensed insurance agent. The ISI Report recommended that the cooling off period be extended to allow consumers sufficient time to confirm that the insurance product is suitable for their needs. The Canadian Life and Health Insurance Association's Guideline G7 - Creditor's Group Insurance - indicates that for creditor's group insurance products, the cooling off period should not be less than 20 days.

The Commission proposes that a consumer be permitted to rescind the contract of insurance on or before the expiry of 20 days, or any longer period specified in the policy or group insurance certificate, from the date the consumer received the policy or certificate. A consumer who rescinds the insurance contract within this time is entitled to a full refund of the premium paid. The Commission proposes that the right to rescind apply where the following classes or types of insurance are purchased through a restricted insurance licence holder:

- creditor's critical illness insurance;
- creditor's disability insurance;
- creditor's life insurance;
- creditor's loss of employment insurance;
- guaranteed asset protection insurance;
- mortgage insurance; or
- portable electronics insurance.

A right to rescind for the other classes or types of insurance would not be appropriate given the short duration of those contracts.

Consultation Questions:

- 3.1 What restrictions or protections should be in place with respect to personal information? Please elaborate on your response.
- 3.2 What prohibitions should be in place for employees of a restricted insurance licence holder? Please elaborate on your response.
- 3.3 What, if any, should the prohibitions be related to tied selling? Please elaborate on your response.
- 3.4 With respect to the right of a lender to insist that a borrower purchase insurance to protect the lender, what class or type of insurance should this apply to? Specifically, should it only apply to insurance that protects the lender against default by the borrower? Please elaborate on your response.
- 3.5 Do you foresee any operational challenges with requiring a separate application for certain classes or types of insurance? If so, what do you propose? To which classes or types of insurance should it apply? Please elaborate on your response.
- 3.6 Do you foresee any operational challenges with requiring a copy of a completed application to be provided to the consumer upon request? If so, what do you propose? To which classes or types of insurance should it apply? Please elaborate on your response.
- 3.7 What should the disclosure requirements be for restricted licence holders and their employees? Please elaborate on your response.
- 3.8 How long should a consumer have to rescind a contract for a full refund? Please elaborate on your response.
- 3.9 To which classes or types of insurance should a right to rescind apply? Please elaborate on your response.
- 3.10 Please comment on any other matters for consideration on this issue.

Providing Feedback

The Commission is publishing this Consultation Paper for a **60-day comment period**. Please send your comments in writing on or before **31 January 2020**.

All submissions should refer to “**Consultation Paper – Incidental Selling of Insurance**”. This reference should be included in the subject line if the submission is sent by email. Regardless of whether you are sending your comments by email, you should also send or attach your submissions in an electronic file in Microsoft Word format.

Please address your submission to:

E-mail: consultation@fcnb.ca

Alternatively, submissions may be sent by mail or fax to:

Insurance Division c/o David Weir
Financial and Consumer Services Commission
200-225 King St.
Fredericton, NB E3B 1E1
Fax: (506) 453-7435

We cannot keep submissions confidential as they may be subject to a request under the *Right to Information and Protection of Privacy Act*. Additionally, any submissions or comments received during the comment period may be published; therefore, you should not include personal information directly in comments. It is important that you state on whose behalf you are making the submission.

If you have any questions, please refer them to:

David Weir
Senior Technical Advisor, Insurance
Financial and Consumer Services Commission
Tel: (506) 658-3060

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Email: david.weir@fcnb.ca

Agenda Item 5(b)(i)(2)
January 21/20 EOC Meeting

PRELIMINARY DRAFT ONLY
NOT FOR CIRCULATION/DISCUSSION BEYOND CAFII MEMBERSHIP

Mr. David Weir
Senior Technical Advisor
Financial and Consumer Services Commission of New Brunswick

Dear Mr. Weir:

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

The Canadian Association of Financial Institutions in Insurance (CAFII) is writing to you in response to the XXX, which was circulated to industry stakeholders in December, 2019. CAFII appreciates the opportunity to provide written commentary on the draft regulation.

While we recognize that the following opening comments reflect on more than the proposed regulatory and legislative changes in New Brunswick, we feel that these comments are relevant to this consultation as New Brunswick is proposing the introduction of a new RIA regime. Ideally, instead of introducing another provincial RIA regime, we feel that the provinces, all of whom are members of the CCIR and CISRO, should work with those organizations for the development of an intra-provincial RIA regime that would incorporate the key elements all of the provinces seek, and seek to have such a model apply to all the provinces that have an RIA regime. The different jurisdictions are all striving for the same outcome, and the differences between the regimes are subtle and nuanced. Do these differences outweigh the costs and inefficiencies introduced by slightly different models and approaches?

An RIA regime exists currently in three other provinces in Canada: Alberta, Saskatchewan, and most recently Manitoba. It is our view that the regime in Manitoba, which benefited from the learnings provided by the provinces that introduced this legislation earlier, is the most current regime and the best model for New Brunswick. As such, we ask whether as an alternative, the Manitoba model might not be adopted by New Brunswick, as opposed to proceeding down the path of an entirely new approach that in the end achieves the same objectives.

Finally, another model we would ask New Brunswick to consider in to allow the other provincial models to be adopted for use in New Brunswick. With such an approach, the provinces would each recognize that the slightly different models in different provinces are all seeking to achieve the same outcome, and would recognize each of these models as sufficient to meet each provinces' requirements.

We note that New Brunswick is the only RIA jurisdiction where there will not be a licensing council overseeing the regime. Because some licensing issues are technical in nature and most understood by industry practitioners, we believe that an Advisory Group could provide New Brunswick with a valuable mechanism for consultation and advice. Such an Advisory Group has been developed by the Insurance Councils of Saskatchewan, and we believe that New Brunswick should consider such an approach.

Need for Reasonable Time to Implement New Regulations

When provinces are finalizing new regulations, we request that lead time of 12 to 18 months be provided to facilitate CAFII members' implementation of changes. These changes inevitably become major projects within our member organizations and it takes time to ensure that the necessary systems changes are made, forms revised, staff trained, and consumers notified of how the changes affect them.

Not Capturing or Incorporating Federal Trust and Loan Corporations Act

The draft regulation fails to capture and incorporate the federal *Trust and Loan Corporations Act*. This is particularly important with respect to the exemption for financial institutions from having to carry errors & omissions insurance. We recommend that New Brunswick make an adjustment to be consistent with the ISI restricted license regimes in Saskatchewan and Alberta (and Manitoba??) to ensure that trust and loan companies are adequately captured within the Regulation.

Consultation Questions:

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

--Need to ensure that classes of insurance that are defined exist in the New Brunswick legislation.

--Request that definitions be aligned and harmonized with the provinces that currently have a RIA Regime (Saskatchewan, Manitoba, Alberta).

--We note that CAFII member employees don't "sell" coverage, rather, they "enrol" the client in the financial institutions plan.

--We note that the consultation paper states the following:

The Commission proposes that "incidental seller of insurance" be defined to mean: "a person that, in the course of selling or providing goods or services to the person's customers or clients, solicits, negotiates, sells or arranges insurance, or offers to sell, negotiate or arrange insurance, that relates to those goods or services."

This is the definition currently used in Manitoba.

We had recommended to Manitoba that it harmonize with Alberta and Saskatchewan by introducing a restricted licensing regime which does not rely on defining incidental insurers of insurance. Such an approach would give your province the flexibility to include the products that may be currently excluded.

- 1.2 What businesses should be eligible to receive a restricted insurance licence? Please elaborate on your response.

--Personal Accident Insurance is captured under Critical Illness Insurance, and under Disability Insurance, but Personal Accident Insurance is a separate product that is generally not sold incidental to another product, and as such the Regulation should clarify that it does not fall under the RIA regime, but rather is an exempted product from requiring licensing.

- 1.3 What classes or types of insurance should be permitted to be solicited, negotiated, sold or arranged under a restricted insurance licence? Please elaborate on your response.
- 1.4 Do you agree with the classes or types of insurance that the Commission proposes to exclude from the restricted insurance licensing regime, thereby requiring individuals who sell those products to be fully licensed? Please elaborate on your response.

--The Regulation should make clear that an application can be made for multiple classes or types of insurance in one form, and the application forms should allow for that to be done.

- 1.5 What other terms should be defined, and how should they be defined? Please elaborate on your response.
- 1.6 For which classes or types of insurance should specific businesses be eligible to seek a licence? Please elaborate on your response.
- 1.7 Please comment on any other matters for consideration on this issue.

2.1 What should the requirements be for obtaining or renewing a restricted insurance licence?
Please elaborate on your response.

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

Consultation paper states:

Based on a review of the other restricted insurance licensing regimes, the Commission is not proposing that an applicant for a restricted insurance licence provide the names of all employees who will be engaged in the business of insurance. However, the Commission proposes that, upon request, a restricted insurance licence holder must supply a list of all employees engaged in the business of insurance and any additional information required by the Superintendent with respect to any such employee(s).

--will be very difficult and onerous to provide a list of employees selling this insurance
--elaboration on the challenges outlined below, but employees constantly change, HR and IT systems are not structured to provide real-time lists
--Recommend exemption for institutions with more than 500 employees in total

2.3 What should the requirements be for insurers who sponsor a restricted insurance licence?
Please elaborate on your response.

Consultation Paper states:

Further, where the insurer terminates its sponsorship of a restricted insurance licence, the Commission proposes requiring the insurer to provide the Superintendent with written notice of the termination, with reasons, no later than 15 days after the termination.

Also:

To further enhance consumer protection, the Commission is also proposing that any insurer whose products are marketed and distributed through a restricted insurance licence holder must provide the Superintendent detailed written notice, within 15 days of becoming aware, where the insurer has reasonable grounds to believe that the restricted insurance licence holder or any employee of the licence holder engaged in the business of insurance is not suitable to carry on the business of insurance.

Confidentiality requirements may restrict the ability to provide detailed information on why the sponsorship of a license is terminated.

--“Any employee of the licence holder” is a difficult requirement to meet

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

2.5 What should the eligibility requirements be for a designated representative and what should the process be for replacing a designated representative? Please elaborate on your response.

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

--believe that there should not be a designated representative at all

2.7 What should supervisory responsibilities be for a designated representative and what should they be required to report? Please elaborate on your response.

The Regulation states that “As indicated, a restricted insurance licence holder is required to have a designated representative. A designated representative would be a single individual who is the primary contact for the business for regulatory purposes and who is responsible for supervising insurance activities of the licence holder.”

It is our view that the supervisory duties of the designated representative are too onerous. Typically, financial institution staff who are involved in offering a product such as creditor insurance do not all report to the same person. CAFII recommends that the Regulation instead state that the license holder (i.e. the organization itself) assume responsibility for supervising employees. In the context of financial institutions involved in ISI, the organization is ultimately accountable for the conduct of staff, ensuring that appropriate leadership is in place to supervise staff performance, and ensuring that employees are trained and knowledgeable about their compliance obligations. In addition, financial institutions have comprehensive internal policies and procedures that govern the conduct of staff involved in offering insurance.

The section on “Designated Representative’s Duty to Report” states that

The Commission proposes that a designated representative be required to report within 10 business days any of the following:

- *Change in name of the licence holder;*
- *Change of ownership of the licence holder;*
- *Any misconduct with respect to the business of insurance by the employees of the licence holder;*
- *Any change in errors and omissions coverage; and*
- *Any errors and omissions claim against the licence holder or any employee with respect to the business of insurance, with details.*

These requirements would be onerous and difficult for financial institutions to meet, given that they do not maintain a single database of persons involved in the sale of creditor insurance and other incidental insurance products. Further, given the large number of employees authorized to sell creditor insurance, compliance with the record-keeping rules would force financial institutions to update their lists almost daily.

CAFII strongly recommends that organizations with 500 or more employees be exempt from the Regulations record-keeping requirements. This is how Alberta and Saskatchewan (and Manitoba?) have resolved this issue, by including the roster requirements in the application process and noting that those organizations applying in the highest tier (more than 500 employees) would not be required to supply a list.

The section on “Designated Representative’s Responsibilities” states that:

The Commission proposes that the designated representative would be responsible for the reasonable and prudent oversight of all insurance activities carried on by the restricted insurance licence holder and its employees. The Commission proposes that a designated representative's supervisory responsibilities include, but not be limited to, ensuring that:

- *The licence holder complies with the Act, Regulations and Rules;*
- *The licence holder operates in accordance with any conditions and restrictions on their licences;*
- *The licence holder has reasonable and demonstrable policies and procedures to ensure that any employee carrying on insurance on its behalf is knowledgeable, competent and suitable, taking into account the class or type of insurance and that these employees comply with these policies and procedures;*
- *The licence holder has appropriate written procedures, which include, but are not limited to, such matters as proper file maintenance;*
- *Trust monies are handled properly and all books and records are properly maintained;*
- *Errors and omissions insurance is properly maintained;*
- *Regular reviews are conducted of the work of employees carrying out insurance to ensure that there are no issues related to compliance, competence or ethics. Regular reviews would include auditing samples of client files.*

--requirements are too onerous

--harmonize with the approach taken in the other RIA regime jurisdictions

--financial institutions do all of these requirements and these should not be separately required of the designated representative

--recommend an exemption from these requirements for the designated representative for firms of more than 500 employees

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

2.9 Are the proposed requirements for errors and omissions insurance sufficient? If not, what do you propose? Please elaborate on your response.

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

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

--The benefit of the RIA regime is to allow the Superintendent to provide authorization at an industry level, not at an individual level. CAFII members have rigorous procedures to ensure proper adherence to applicable rules and regulations. We believe that the Superintendent should regulate at the industry level and leave individual authorizations to be managed at the company level.

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

3.1 What restrictions or protections should be in place with respect to personal information? Please elaborate on your response.

3.2 What prohibitions should be in place for employees of a restricted insurance licence holder? Please elaborate on your response.

3.3 What, if any, should the prohibitions be related to tied selling? Please elaborate on your response.

--Tied selling is illegal under the Federal Bank Act and is not practiced by any CAFII members.

--We support a prohibition on tied selling but do not believe it necessary fits into this legislative change, as it is already covered by the federal Bank Act and by CLHIA Guidelines that all CAFII members adhere to.

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

--The only insurance that is required is mortgage insurance that is required by federal law if the mortgage down payment is less than 20% of the mortgage amount. No other insurance should be required.

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

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

3.7 What should the disclosure requirements be for restricted licence holders and their employees? Please elaborate on your response.

3.8 How long should a consumer have to rescind a contract for a full refund? Please elaborate on your response.

--10 days to a month is the typical period used.

Consultation paper states:

The Commission proposes that a consumer be permitted to rescind the contract of insurance on or before the expiry of 20 days, or any longer period specified in the policy or group insurance certificate, from the date the consumer received the policy or certificate. A consumer who rescinds the insurance contract within this time is entitled to a full refund of the premium paid.

--Industry norm is 10 days. Introducing these variations on the norm is precisely the sort of non-harmonized approach that produces inefficiency and additional regulatory compliance costs.

3.9 To which classes or types of insurance should a right to rescind apply? Please elaborate on your response.

--Should not apply to travel insurance after the travel period has begun, but this regime does not cover travel insurance.

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

Reference	Comments
Overall	<ul style="list-style-type: none"> • Appreciate opportunity to comment • Compliment FSRA for its successful launch and its consultative approach • As a general observation, we believe that Guidance by its nature should clarify existing legislation or regulation, and not add prescriptive elements to principles-based regulation • Understand the logic of a trial run of the new approach starting on 17 October, 2019
<h2 data-bbox="203 636 613 762">Rationale and context</h2> <p data-bbox="203 800 776 1381">FSRA is responsible for supervising and regulating a number of different sectors. Standardizing our approach to guidance will make it easier to do business in those sectors, and will make us a more effective regulator. It will be easier for the public, new entrants and incumbents to understand what is legally binding, what is FSRA's interpretation or application of law and what information is designed to be helpful.</p>	<p data-bbox="824 632 1409 947">A streamlined approach to guidance has the opportunity to make FSRA a more effective regulator. We do recommend that this approach include an additional opportunity for further industry comment after one year or two years, and that FSRA be open to further modifications to its approach at that time, based on the actual experience of industry with the new approach over the course of one or two years</p>
<h2 data-bbox="203 1457 501 1520">Principles</h2> <ul style="list-style-type: none"> • Effective. FSRA takes a principles-based approach to developing guidance that is supported by good governance practices, sectoral expertise and high professional standards. 	<p data-bbox="824 1562 1412 1839">We note that the "Effective" principle is rooted in the principles-based approach that FSRA takes to guidance. We would add that this is also consistent with IAIS' Insurance Core Principles (ICPs) and international best practices, and provides the best balance between protecting consumers and promoting industry efficiency and innovation.</p>

	<p>We agree with all the principles that FSRA has enunciated and believe these will make guidance all the more effective. However, we would encourage FSRA to consider an additional principle, which is “Harmonization.” By promoting guidance that is consistent with the approach taken in other jurisdictions, and by working on a harmonized approach with other jurisdictions, FSRA can promote greater efficiency and better customer outcomes in the industry.</p>
<h2>Processes and practices</h2> <h3>Types of guidance</h3> <p>FSRA will use four distinct types of guidance to support requirements set out in legislation, regulations and rules:</p> <ul style="list-style-type: none"> • Interpretation: Sets out FSRA’s view of requirements under its legislative mandate (i.e. legislation, regulations and rules) so that non-compliance can lead to enforcement or supervisory action. • Information: Indicative of FSRA views on certain topics without creating new compliance obligations for regulated persons. • Approach: Describes FSRA’s internal principles, processes and practices for supervisory action and application of CEO discretion. • Decision: Sets out FSRA’s determination and underlying reasons 	<p>We support the approach that FSRA has taken and believe that the four categories are distinct, mostly mutually exclusive, and can help industry in understanding a guidance and how to apply it.</p> <p>In “Approach” we were not clear on what was meant by “and application of CEO discretion” and therefore request that FSRA provide greater clarity on that element.</p> <p>We would appreciate clarification as to whether FSRA will be identifying which type of guidance a particular guidance falls under; and whether you envision that a guidance might, in some cases, fall into more than one of the four categories?</p>

<p>for regulatory decisions of precedential value for other parties not involved in the specific matter.</p> <p>FSRA will use different types of guidance depending on specific circumstances in the regulated sectors and will establish standard structures and styles to help stakeholders easily understand and differentiate between the categories.</p> <p>Appendix 1 provides further details regarding the four types of guidance and the relationship between FSRA guidance and legal requirements.</p>	
<p>All FSRA guidance will be approved and issued by the CEO unless specifically delegated to another FSRA employee.</p> <p>Prior to approval, and consistent with the Transparent principle, we will consult publicly on Interpretation and Approach guidance unless immediate action is required. We will consult on Information guidance as needed.</p> <p>After approval, and consistent with the Efficient principle, we will regularly review our guidance to promote burden reduction and effective regulation by updating or removing outdated or spent items. The following</p>	<p>We support the approach of reviewing guidances regularly, but in an environment where change is constant, an outer limit of 5 years may be too long. We would support a review period of “after 3 to 5 years,” with the possibility of reviewing a guidance earlier than after 3 years if a valid reason is provided for so doing by stakeholders.”</p>

review timelines will apply to the different types of guidance:	
Conclusion	<p>We support both the process and the specific content developed by FSRA for this new approach to its issuing guidance. We have seen situations where an otherwise principles-based regulator has issued a guidance to elaborate on a regulation, but the specific details which the guidance set out were highly prescriptive and effectively neutralized the principles-based approach rooted in the original/source regulation. While a guidance can be an extremely effective tool for regulators and stakeholders alike, there is also the risk that, if not carefully considered and drafted, it can significantly change and even undermine the original/source regulation, which it should only be seeking to clarify/amplify.</p>



**The Canadian Association of
Financial Institutions in Insurance**

In 2019 We...

Produced 3 Videos To Enhance Products on Website
Appeared In 2 Google Featured Snippets
Optimized Products to Increase Consumer Engagement
Expanded Consumer Examples for Search Visibility

In 2020, We Will...

Develop New Video Content

Continue Answering Top Consumer FAQs

Continue To Improve Your Website Engagement

Continue To Maintain And Enhance Your Website

Provide Clear & Insightful Reports On Wins and Growth Opportunities

New Video Content

Building On Last Year's Success

This year, we will be producing additional (EN,FR) videos for CAFII. Topics have been selected based on the impact creating a video will have on your rankings and engagement. Our recommendations are the following:

- Credit Card Protection Insurance
- Payment Protection Insurance & Loans
- Trip Cancellation & Interruption Insurance

We can produce all three of these videos in a whiteboard format (as per your other videos), or can produce two of the three in motion graphic format.

An example, as well as Pros and Cons of each can be found on the following slide.

Video Process

Script:

1. Outline of Key Messages (CAFII)
2. Draft
3. Revision
4. Final Approval
5. French Script

Video Creation:

1. English Storyboard
2. Draft 1
3. Revision 1
4. Draft 2
5. Revision 2
6. English Final Approval
7. French Creation
8. Revision 3
9. French Final Approval

Video Examples

Motion Graphic vs. Whiteboard

Motion Graphic



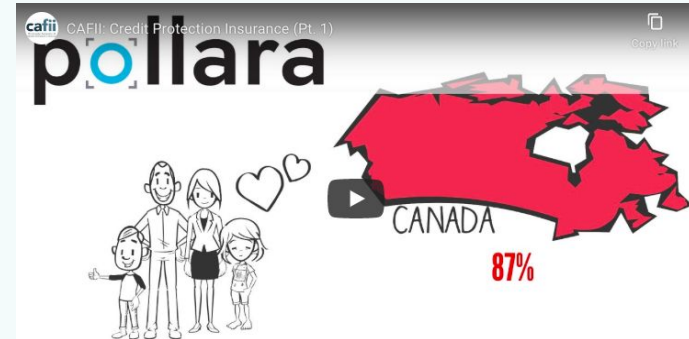
Pros

- More customized
- Branded
- Higher production value

Cons

- Higher Investment
- Inconsistent with previous videos delivered

Whiteboard



Pros

- Cost effective
- Consistent with previous videos delivered

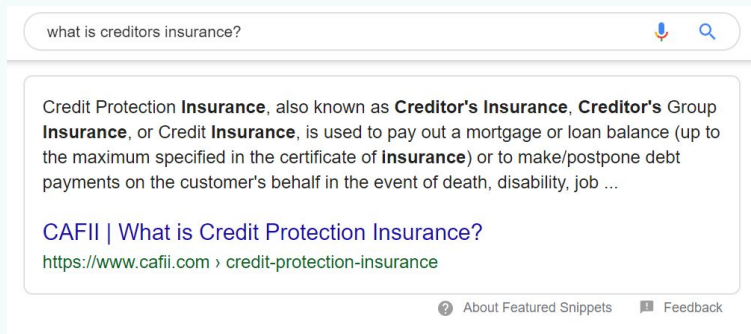
Cons

- Less ability to customize video elements
- Style of video is becoming out-of-date

Providing More Answers

New FAQ Content

Last year, Google began to recognize CAFII as the MOST AUTHORITATIVE resource for some of your consumers most frequently asked questions. As a result, answers from our website were pulled into the knowledge panel as featured snippets, as shown below.



This year, we're going to continue forward with the strategy that produced such fantastic results in 2018 and 2019. We'll be focusing on two topics which we believe you have an opportunity to become the online authority on and will be developing 3 new FAQs in total.

Mortgage Life Insurance:

Q: Who can apply for mortgage life insurance?

Q: I have other life insurance, why do I need this protection for my mortgage?

Travel Insurance:

Q: What is travel insurance?

Website Engagement

Creating Additional Vignettes

Last year, as part of a website engagement program, the team went to work adding interactive vignettes to the website in an effort to help consumers better understand the information we were providing. In short, it worked. We saw record highs in the number of pages that were viewed per session as well as the amount of time consumers spent browsing the website!



Anne-Sophie and Mathieu, who have two children, have been approved for a \$250,000 mortgage to purchase a home. Anne-Sophie is the primary income earner, and the family's ability to make their mortgage payments is largely dependent on her income.

Peace of mind and predictability of expenses are important for Anne-Sophie and Mathieu, so they purchase Mortgage Life Insurance for Anne-Sophie, which will pay out the balance of their mortgage (up to the maximum specified in the certificate of insurance) in the event of her death. They like the fact that their premiums will not change over the life of their mortgage, which means that they are not exposed to higher costs for this coverage as Anne-Sophie ages or possibly develops health issues.

They also like the fact that the proceeds of her mortgage life insurance will go directly to pay out the mortgage balance rather than possibly being used to pay other debts. It's important to Anne-Sophie that her family will be able to continue living in their family home, without financial duress.

[See FAQ section for more information](#)

This year, in addition to creating vignettes for each of the new FAQs we will be developing, we will also be creating an additional 3 for pre-existing pages.

New FAQ Vignettes (3):

Q: Who can apply for mortgage life insurance?

Q: I have other life insurance, why do I need this protection for my mortgage?

Q: What is travel insurance?

Vignettes for 3 existing FAQs:

Q: Is there a maximum amount of mortgage balance I can insure?

Q: If I purchase Mortgage Life Insurance, why doesn't my premium decrease as my mortgage balance decreases?

Q: Does Credit Protection Insurance provide good value?

Website Development Retainer

Why It's Important & What to Expect

Support your program needs.

You require a small retainer to support the initiatives proposed in your 2020 program.

Suggested Retainer	Monthly Investment
2 hours per month	\$300



Benefits:

- Team consistency and efficiency
- Discounted rate

Details:

- 2 website development hours per month
- Web projects falling outside retainer to be quoted at hourly rate of \$150/hour

This retainer will cover:

- FAQ Page Development
- Embedding Videos
- Vignette Deployment on Website
- Maintenance & Updates
- Website hosting for 2020

2020 Program Summary

What's In-scope?

Program Inclusion	Details
Video Production	6 Whiteboard (3 Eng. + 3 French) OR 4 Motion Graphic (2 Eng. + 2 French) Videos
FAQs & Vignettes	Development of 3 New FAQ Pages Development of 6 Vignettes (3 for Existing Pages, 3 To Go Along With New Pages)
Website Retainer & Hosting	12 Months of Hosting Up to 2 Hours/Month of Web Support (Includes the Development of New FAQ Pages, Embedding Videos, And Adding Vignettes)
Reporting & Communication	2 Performance Reports (June, December) 2 Executive Presentations For BoD 2021 Strategy
\$32,000 + HST	

***Agenda Item 5(c)(ii)
January 21/20 EOC Meeting***

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

Sent: January-16-20 11:21 AM

To: CAFII Board of Directors (Cc: EOC Members and Other Committee Members)

Subject: Invitation to CAFII to Submit a 1500 Word Article to the Canadian Business Quarterly (CBQ), an Online Business Magazine

CAFII Board of Directors (Copy to EOC Members and Committee Members):

CAFII media consultant David Moorcroft has been asked by the Canadian Business Quarterly (CBQ), an online business focused magazine, whether CAFII would like to submit a 1,500 word column/opinion piece on a topic of our choice. David's view is that this is a safe venue for us to share key CAFII messages, and would be another positive piece of content to add to our website after the article is published.

Yesterday, David, Brendan, and I had a teleconference meeting with Media Advocacy Chair Charles Blaquiere to discuss, among other issues, this opportunity, **and it is our collective recommendation to the Board that we accept this invitation.**

The proposed topic would be "Credit Protection Insurance and How It Benefits Canadians," and the column/opinion piece would explain the benefits of these products, and would reference the recent Pollara research on consumers' views on credit protection insurance on mortgages and home equity lines of credit to support our key points.

The proposed column would be shared with this distribution list for review and comment prior to being submitted by 14 February, 2020.

We need to let the CBQ know if we intend to take them up on this invitation by **Monday, 20 January, 2020**. Please let Brendan and me know before then if you have any concerns with moving forward with this initiative.

Thank you,

--Keith

Hello Keith, Brendan and Charles.

As discussed, CAFII's leadership has been invited to contribute a 1,500 word opinion column for the next edition of the [Canadian Business Quarterly](#) (CBQ). They are looking for a column that would explain the issues taking place in the credit protection insurance industry, and/or share current news & issues, or take a position on a particular topic. If we agree, CBQ would like to receive CAFII's submission by February 14.

Headquartered in Calgary and published in digital format quarterly, CBQ provides an in-depth view of business and economic development issues taking place across the country. The magazine features articles and columns from Canadian writers focused on all aspects of the Canadian business landscape. It claims to have 24,000 subscribers, and an estimated readership of 55,000.

Here are some examples of columns written by other Canadian associations that were published in past issues:

Mary Van Buren, President of the Canadian Construction Association

<https://thecbq.ca/the-canadian-construction-association-president-mary-van-buren-building-a-better-canada/>

Jay Wilson, Manager for Risk Mitigation Programs and Assurance at the Canadian Electricity Association

<https://thecbq.ca/canadian-electricity-association-manager-for-risk-mitigation-programs-and-assurance-jay-wilson-the-qualities-of-highly-effective-regulations/>

Next generation seed systems enabling agricultural growth in the 21st century

<https://thecbq.ca/canadian-seed-growers-association-executive-director-glyn-chancey-next-generation-seed-systems-enabling-agricultural-growth-in-the-21st-century/>

Canadian Institute of Management: Is Management a Profession?

<http://thecbq.ca/canadian-institute-of-management-ceo-dr-matthew-jelavic-is-management-a-profession/>

One possible topic for an opinion piece would be "Credit Protection Insurance and how it benefits Canadians." In explaining the various benefits, we would reference the Pollara consumer research which would support our key points.

In my opinion, this is a very safe and worthwhile media opportunity for CAFII that we could also leverage in future communication on our website. Whatever you decide, we should aim to get back to the CBQ by Monday with a response.

Thanks, David Moorcroft, CAFII Media Advisor

Agenda Item 6(a)
January 21/20 EOC Meeting

December 9, 2019

Ms. Judith Robertson
Commissioner, Financial Consumer Agency of Canada (FCAC)
427 Laurier Avenue West, 6th Floor
Ottawa ON K1R 5C7
judith.robertson@fsrao.ca

Dear Ms. Robertson:

**Re: Proposed CAFII/FCAC Information-Sharing and Dialogue Meeting On
Credit Protection Insurance/Authorized Insurance Products Sales Practices; and
Related Fair Treatment of Consumers Considerations**

In follow-up to CAFII's get acquainted and dialogue meeting with you and your senior team members Teresa Frick, Jérémie Ryan, and Maria Vranas at the Agency's office on October 28/19, the purpose of this letter is to propose the scheduling of a follow-up CAFII/FCAC Information-Sharing and Dialogue Meeting, at your office in Ottawa early next year, around a CAFII presentation on *Credit Protection Insurance/Authorized Insurance Products Sales Practices and Related Fair Treatment of Consumers Considerations*.

Your may recall that when we broached the idea of such a follow-up meeting with that focus, during our October 28 discussion, there was strong support among your colleagues for such a session(s) as a mutually beneficial initiative.

We are aiming for a late January or early February 2020 date for the proposed meeting(s).

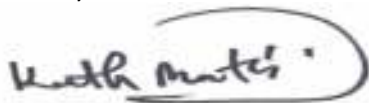
Any weekday in the three week period running from Monday, January 27/20 through to Friday, February 14/20 – excluding only Thursday, January 30/20 and Friday, January 31/20 -- would work for a small delegation of CAFII representatives to visit the FCAC office for the proposed information-sharing and dialogue session(s).

As your team indicated might be the case, we hope that a broader contingent of FCAC staff members will be able to attend the proposed information-sharing and dialogue session(s).

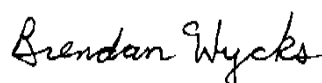
We recommend allocating a minimum of two hours for this follow-up meeting(s), to allow for an interactive session. We are able to tailor our presentation to the level of detail your team would prefer, and could expand the meeting into a session of up to a half-day if that would be helpful. Alternatively, we would be amenable to providing the presentation two or three times over the course of the day, to accommodate the commitments of different groups of FCAC attendees, if you have a preference for that approach.

We ask that you have the appropriate member of your team respond to us with respect to our follow-up meeting proposal at the earliest possible point in time, so that everyone can plan accordingly with a firm date booked and an agreed-upon approach to the session(s).

Sincerely,



Keith Martin, Co-Executive Director, CAFII
647.460.7725



Brendan Wycks, Co-Executive Director, CAFII
647.218.8243

c.c. Teresa Frick, Director, Supervision Division
Jérémie Ryan, Director, Financial Literacy and Stakeholder Engagement

About CAFII

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

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

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

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

Agenda Item 6(a)(i)
January 21/20 EOC Meeting

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

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

To: CAFII Board Members, Surrogates, EOC Members, and other Committee Members

Sent: January-10-20 12:00 PM

Subject: Update on the CAFII Presentation to the FCAC

CAFII Board Members, Surrogates, EOC Members, and other Committee Members:

At the 3 December, 2019 CAFII Board meeting, during both the regular meeting and the Board's ensuing *in camera* discussion, there was discussion about CAFII's intention to have a follow-up meeting with the FCAC in Ottawa in early 2020 (likely in late January or February), the focus of which would be a presentation by our Association to FCAC staff executives on credit protection insurance (CPI) sales practices and related Fair Treatment of Consumers considerations.

Coming out of its *in camera* discussion, the Board asked CAFII management to explore finding an external consultant company that could help our Association weave together a CPI story that is compelling and highly professional, with Toronto's Dog and Pony Studios identified as an example of such a firm.

Brendan and I have subsequently had a one-hour-plus detailed phone conversation with Chris Davies, the founder and head of Dog and Pony Studios, and we were extremely impressed by his knowledge of financial services in general and CPI in particular, and how quickly he understood what we were asking his firm to do for CAFII. He is very aligned with our objective of getting expert help in producing a first-class presentation deck.

Our recommendation to Board Chair Nicole Benson and Board Vice-Chair Chris Lobbezoo was to move forward with Dog and Pony Studios, at a quoted cost of \$6,000 to \$8,500; and that recommendation has been approved.

A Letter of Engagement will be signed, and after Dog and Pony Studios has made some headway on a first draft of CAFII's presentation deck for the FCAC, we will reach out to those on this distribution list for volunteers to join a task-specific Working Group to review and offer comments on the deck developed by Dog and Pony.

Any questions or concerns, please let me know.

Keith Martin

Co-Executive Director / Co-Directeur général

Canadian Association of Financial Institutions in Insurance

L'association canadienne des institutions financières en assurance

Agenda Item 6(a)(iii)
January 21/20 EOC Meeting

**Engagement of Willis Towers Watson To Provide Key Data Points For CAFII Presentation Deck
For CPI Sales Practices-Focused Meeting With FCAC Staff Executives**

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

To: CAFII Board Members, Surrogates, EOC Members, and other Committee Members

Sent: January-10-20 12:00 PM

Subject: Update on the CAFII Presentation to the FCAC

CAFII Board Members, Surrogates, EOC Members, and other Committee Members:

At the 3 December, 2019 CAFII Board meeting, during both the regular meeting and the Board's ensuing *in camera* discussion, there was discussion about CAFII's intention to have a follow-up meeting with the FCAC in Ottawa in early 2020 (likely in late January or February), the focus of which would be a presentation by our Association to FCAC staff executives on credit protection insurance (CPI) sales practices and related Fair Treatment of Consumers considerations.

Coming out of its *in camera* discussion, the Board asked CAFII management – in addition to finding an external consultant company that could help our Association weave together a CPI story that is compelling and highly professional -- to explore whether we could populate our deck with CPI data points/benchmarking information from the ongoing, syndicated research which Willis Towers Watson (WTW) carries out with and for the industry.

We have reached out to Willis Towers Watson and they feel they can provide the requested independent, actuarial firm research content to us at a cost of \$8,000 to \$10,000.

Brendan and I have recommended moving forward on this initiative, and Board Chair Nicole Benson and Board Vice-Chair Chris Lobbezoo have approved this recommendation.

A Letter of Engagement will be signed with WTW. They will also need to get permission to use the data of the members of CAFII for whom they have such data.

Any questions or concerns, please let me know.

Keith Martin

Co-Executive Director / Co-Directeur général

Canadian Association of Financial Institutions in Insurance

L'association canadienne des institutions financières en assurance

keith.martin@cafii.com

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Agenda Item 6(b)(1)
January 21/20 EOC Meeting

Dear CAFII Board members, Surrogates, and EOC Members:

At the 3 December, 2019 CAFII Board meeting, RSM Canada was identified as the winning bidder/respondent to our RFP on CAFII taking over the CBA Benchmarking Study; and the decision was taken to move forward with continuing this quarterly study.

As we now move forward to launch this important new CAFII initiative, you are invited to participate in a Kick-Off Meeting on Monday, 13 January, 2020, from 10:00 to 11:30 a.m., hosted by RSM Canada at its offices at 11 King St. West, Suite 700 in Toronto.

The first part of the meeting will be a high-level strategic overview of this benchmarking initiative and the way forward for making it an enhanced study of greater value and utility to CAFII members.

The second part of the meeting will focus on specifics -- including a process for improving the outputs of the study by achieving agreement on common definitions; and on a single/unified approach for collection and submission of data (i.e. for participating members to transmit their data to RSM Canada) - as well as sharing next steps and the process going forward.

Board/EOC Members: You are invited to attend the entirety of this 1.5 hours meeting, but you are also free to come to just the first part of the meeting and then leave — we will take a pause to allow for that after the first section is complete. **You may also wish to bring along a Subject Matter Expert, particularly for participation in the second half of the meeting. Please feel free to nominate an SME(s) to participate in this meeting and at subsequent Working Group meetings focused on CAFII benchmarking study data integrity issues.**

Thank you,

Keith Martin

Co-Executive Director / Co-Directeur général

Canadian Association of Financial Institutions in Insurance

L'association canadienne des institutions financières en assurance

keith.martin@cafii.com

T: 647.460.7725

www.cafii.com

Agenda, Kick Off Meeting, CAFII Taking Over an Enhanced Benchmarking Study

Monday, 13 January, 2020, 10am-11.30am at the Offices of RSM Canada, 11 King St. W., Suite 700

Kick Off Meeting

Part 1 – Strategic Overview

1. Welcome and Review of Process to Date, Decisions Taken (Keith Martin, Brendan Wycks)
2. Strategic Update from RSM Canada (Joel Cohen, Matthew Haymes)
 - a. Overview of RSM Canada and its Working Approach
 - b. General Overview of the Project

Part 2—Next Steps and Process

3. Next Steps and Process
 - a. Collection and Transmission of Data—Portal Only Method to Collect Data
 - b. Affirmation / Confirmation of Penetration Metrics as Previously Calculated
 - c. Discussion of Need to Make the Report more Meaningful
 - d. Different Approaches to Achieving More Meaningful Report
 - i. Common Definition of Penetration
 - ii. Indexing Approach
4. Discussion of Timing for Next Steps and Contacts
 - a. When the Group Should Reconvene on Commonality of Data
 - b. Determining Who RSM Canada Connects with at Each CAFII Participant
5. General Discussion (All)

Detailed Discussion on Definitions, Data Integrity

Joel Cohen and Matthew Haymes will lead us through a detailed review of the report as it currently stands and how it can be improved. This will include definitions, data collection, and confirming the comparability of the previous benchmarking study with the current one.

Need for CAFII Subject Matter Experts (SMEs) to Participate in a CAFII Working Group on Common Benchmarking Study Definitions For Data Comparability

We are looking for CAFII Member participants to nominate SMEs from their organizations to serve on a CAFII Working Group on Common Benchmarking Study Definitions For Data Comparability.

Agenda Item 6(b)(ii)
January 21/20 EOC Meeting

CONFIDENTIAL TO CAFII MEMBERS; NOT FOR WIDER DISTRIBUTION

Meeting Agenda, 13 January, 2020

Part 1 – Strategic Overview

1. Welcome and Review of Process to Date, Decisions Taken (Keith Martin, Brendan Wycks)
2. Strategic Update from RSM Canada (Joel Cohen, Matthew Haymes)
 - a. Overview of RSM Canada and its Working Approach
 - b. General Overview of the Project

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 - a. Collection and Transmission of Data—Portal Only Method to Collect Data
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4. Discussion of Timing for Next Steps and Contacts
 - a. When the Group Should Reconvene on Commonality of Data
 - b. Determining Who RSM Canada Connects with at Each CAFII Participant
5. General Discussion (All)

Meeting Attendees

From RSM Canada:

Joel Cohen
Matthew Haymes
Kaveh Hami
Jamie Wong

From CAFII (in-person):

Damian Kim, TD Insurance
Ben King, ScotiaLife Financial
John Lewsen, BMO Insurance
Vivek Sahni, RBC Insurance
Gunter Rathgeb, RBC Insurance
Louie Georgakis, Canada Life Assurance
Andrea Stuska, TD Insurance
Keith Martin, CAFII

From CAFII (teleconference):

Sharon Apt, Canada Life Assurance

Joanna Onia, CIBC Insurance

Anita Mukherjee, RBC Insurance

Brendan Wycks, CAFII

Meeting Summary Notes

Keith Martin began with a review of the Board's decision at the 3 December, 2019 Board meeting at which the project was approved to go forward, and RSM Canada was the winning firm awarded the contract.

At that meeting the decision was to approve replicating the original CBA study, without at this time adding additional data points. That would be reviewed at a later stage, but initially just the original study was to be restarted. However, the Board also wanted efforts to be made to improve the data quality of the study, including making it more "apples to apples." This might be done through improved data definitions, or through other data cleansing techniques.

Joel Cohen introduced the RSM team and emphasized that RSM has a collaborative, partnership-oriented approach to its projects. Joel strongly encouraged CAFII participants in the study to share any concerns and to be frank about any issues, as RSM Canada wants to hear about these matters as early as possible where they occur.

It was noted that the Q1 study is based on a fiscal year, and as such data requests will take place on 31 January, 2020; data collection will take place by 21 February, 2020; and the intention is for the Q1 report to be circulated on 13 March, 2020. However, this is contingent on the participating firms being able to get approvals and meet these timelines.

RSM Canada is committed to improving the source data, with two methods that can be discussed in a Working Group: indexing, and improved source definitions. But this work will take time and cannot be completed in time for the Q1 study, so that first report will be a straight replication of the original CBA benchmarking study. Every effort will be made to implement the improvements for the Q2 report. RSM Canada will attempt to regenerate earlier studies with the new definitions if this is possible, depending on whether the data feeds can be resent in conformity with the new definitions. The Working Group can determine how best to measure penetration, for example through certificates in-force, or through premiums.

On process, CAFII will work with its members to identify who will be sending RSM Canada the data. CAFII will work with its members to identify also who will be on the Working Group on improving the quality of the data.

It has been agreed that the intention is to have the data transferred electronically through an online portal with password-protected access, but if approvals for participation in such a portal cannot be secured within CAFII member participants on time for the Q1 study, data transfer via secure/encrypted Excel files sent via email is the contingency plan for that initial study.

For data transfer via an online portal, RSM Canada reviewed two options, one of which is called Huddle, with the other called Secure Adhoc Transfer (SAT), with the latter probably the preferred approach. For the Q1 transfer of data, if it is done through SAT, the data would temporarily be housed in the U.S., but this will not be the case going forward as RSM Canada will arrange for the data to be housed in a Canadian data centre on a go-forward basis.

It was agreed that Stikeman Elliott will review the approach for this new CAFII benchmarking study from a competition law perspective. Any data that cannot be collected due to competition law concerns will be identified and documented. CAFII will arrange for this review to take place and will advise CAFII members and RSM Canada about any developments. RSM Canada noted that CAFII members' internal legal counsel will also likely want to review the approach taken and the data being collected, and may have their own perspectives.

Next Steps

Keith Martin will:

- distribute Meeting Notes to meeting attendees
- work with stakeholders and Stikeman Elliott to ensure conformity with competition law
- ask CAFII members to identify who will participate on a Working Group to improve data quality

CAFII – CREDITOR INSURANCE BENCHMARKING

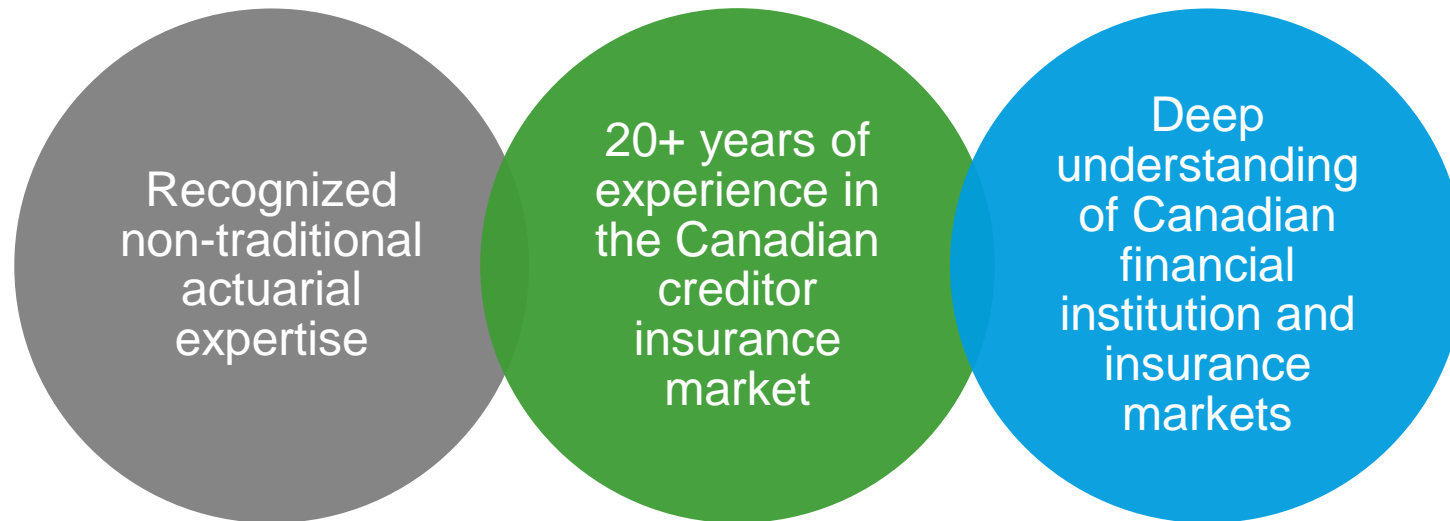
Kick-Off Meeting



January 13, 2020

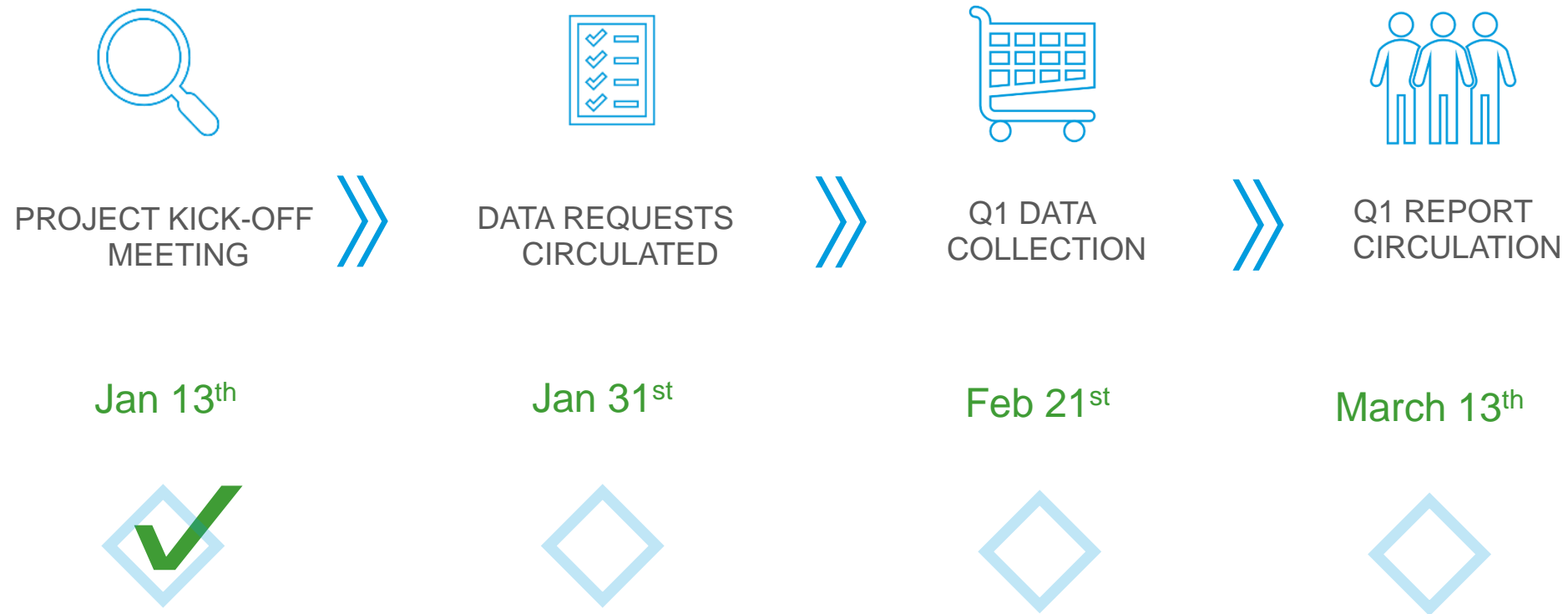
RSM philosophy

- Built long term relationships with our clients through fair, value-adding and transparent working methodologies
 - Align our recommendations and analysis with your objectives, needs, culture
 - Strict peer review processes



Roadmap to initial quarterly report

The roadmap to the initial quarterly report (Jan 31, 2020) involves four key stages:



Project plan – Quarterly benchmarking improvements

INFORMATION GATHERING



Discovery

Identify participant objectives and data availability

Analysis, Assessment and Strategy Recommendations



Ideation

Analyze data availability and recommend potential changes to reporting



Identify improvements

Work with participants to identify appropriate improvements

Preparation of Report and Deliverables



Implementation

Collect necessary penetration data and prepare quarterly reporting

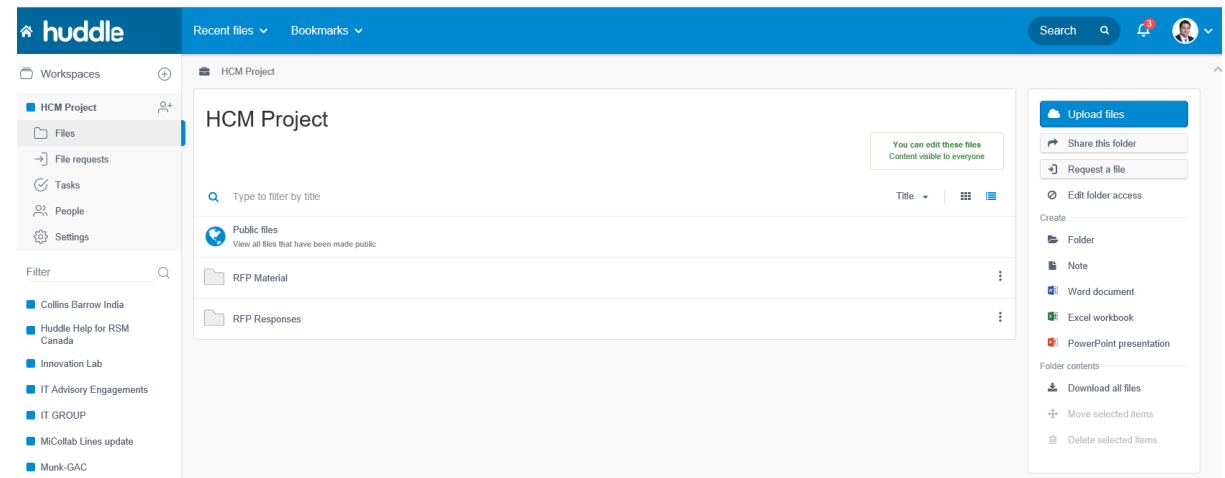
Project Activities

- Discuss and establish main goals and objectives for the analysis
- Work with CAFII and participants regarding the information available and data limitations
- Setting up secure data transfer protocols and secure data storage facilities at RSM to ensure the integrity of the data provided by CAFII members included in the study
- Work with participant working group to identify potential improvements to the current benchmarking study
- Collecting responses using the developed secure data transfer protocols and reviewing these responses for completeness
- Preparing data to be input into RSM's model for analysis
- Review and analyze preliminary results and strategy recommendations of the benchmarking study
- Review and discuss draft report with designated CAFII representatives
- Distribute quarterly reports
- Continue to work with participants to improve quarterly reporting

RSM Canada Secure File Sharing

Huddle

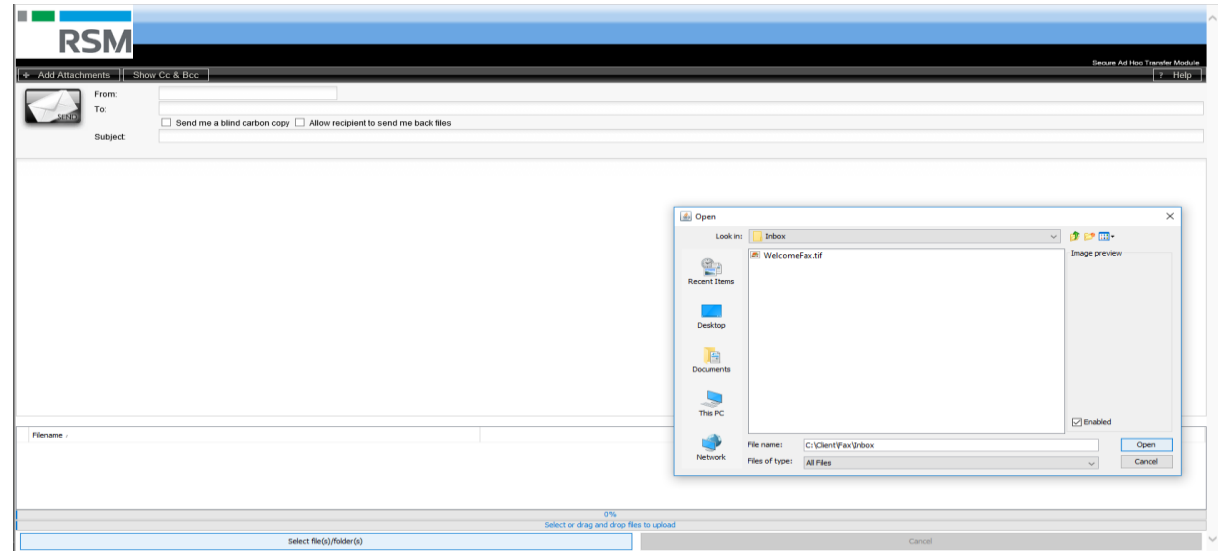
- Enterprise cloud based collaboration and file sharing portal
- Security considerations
 - User created username and password
 - First SaaS collaboration vendor to achieve FedRAMP ATO in United States.
 - Data encrypted in-transit through TLS v1.2 (128-bit or 256-bit encryption depending on browser) and at-rest with 256-bit AES.
 - SAS 70 Type II and SSAE 16 data center accreditation. ISO 27001 certified data centers and offices. Dedicated firewalls complete with DDoS mitigation.



RSM Canada Secure File Sharing

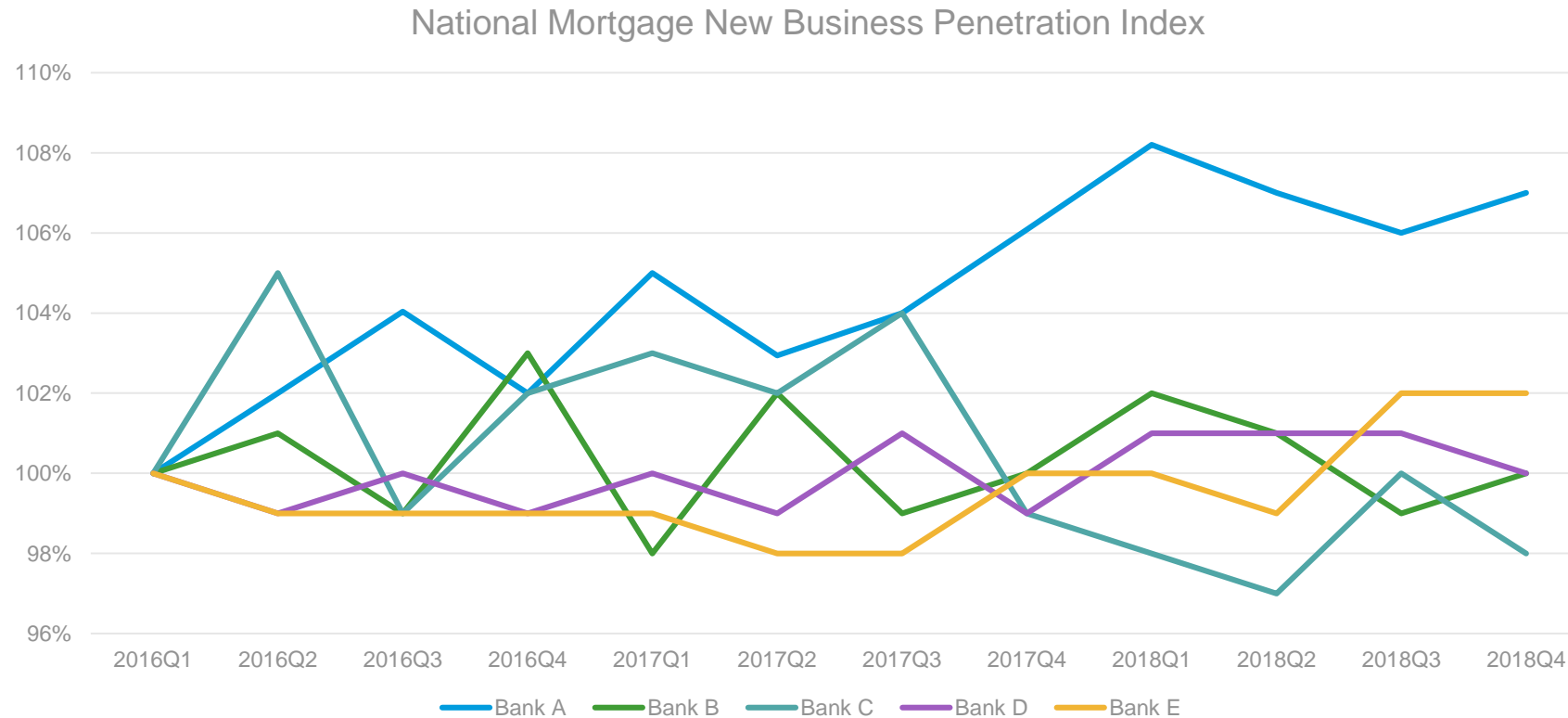
Secure Adhoc Transfer (SAT)

- Security considerations
 - Sender sends an e-mail with an attachment using the SAT send mail page
 - SAT responds by creating a new temporary account on EFT. Temporary account is assigned a random username and password which, expires in 14 days
 - Temporary folder created which is associated with temporary account. E-mail sent to recipient with secure hyperlink (HTTPS), and list of files for download.
 - Recipient can upload files if option is enabled by the sender. When files are uploaded, the sender is notified that the uploaded files can be picked up using the recipient's login credentials.
 - After 14 days, the temporary account is removed from EFT's file system



Potential reporting improvements

1. Incorporate an index to benchmark quarterly New Business Penetration improvements or declines across participants



Potential reporting improvements (cont'd)

2. Work with participants to define a consistent penetration metric for the study
 - Prepare report under two bases, using current penetration metrics, and consistent metric across all participants
 - Start a working group of designated employees from each participant to develop consistent definition of penetration

Next steps

Q1 benchmarking report:

- Each financial institution to identify appropriate contact for data transfer
- Financial institutions to select preferred file sharing protocol
- RSM to circulate data requests by Jan. 31
- Financial institutions to provide data by Feb. 21

Benchmarking improvement working group:

- Each financial institution to identify appropriate representative for working group
- RSM will forward questionnaire on data availability and data definitions
 - Financial institutions to provide response timeline on receipt of questionnaire
 - RSM to then book a working group meeting
- Initial working group meeting to focus on
 - Preferred approach to improve benchmarking comparability
 - Implementation timing / work effort based on data availability



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for Quarterly Credit Protection Insurance Benchmarking Study:**

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Contents as of 1/16/2020 1:50:49 PM

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Workstream B

Workstream #2 Sales Practices; and Workstream #9 Post Sales Conduct

Items #3; and #21, 22, 23, 24; and #33, 34, 35, 36, 37, 38, 39, 40, 41, 43, 44, 45, 46, 48

Workstream B Members

Name	Member Company
Scott Kirby	TD Insurance
Rob Dobbins	Assurant
Marie Nadeau	National Bank Insurance
Isabelle Choquette / Nathalie Baron	Desjardins
Sharon Apt	Canada Life
Martin Boyle	BMO Insurance
Keith Martin	CAFII

Rob Dobbins co-chair

Marie Nadeau co-chair

17 October Meeting—

Ask—Send Sales Practices to Keith

Develop a regular communication to customers

Ask—share eligibility filters with Keith

7 November meeting—

Developing some themes

Could try to reallocate other Workstream members to B as the other Workstreams complete their work

Could try to break down Workstream B into themes or buckets and have separate resources dedicated to them

See updates #38 to 48 in red from today

Action Item	Wording Excerpt Reference from 3 October 2019 Thought Starter	Number Reference, 3 October Thought Starter
Develop a summary of the sales practices used by CAFII members, for the Working Group's review re possible inclusion in a best practices document.	<i>Findings; Sales culture, from the FCAC Domestic Bank Retail Sales Practices Review, Page 6: "...The lack of transparency about sales targets and commissions makes it difficult for consumers to determine in whose interest bank employees are acting when one product is recommended over another."</i>	3 Focus on "recommend one product over another" Are not "recommending" products, need established by loan No advice built into these products Don't focus on sales targets; have there been other things built into the sales process?

		<p>Cancellation of sales can be a signal that sales process was not right Everyone has compliance metrics for their reps Challenge idea that commissions and targets mean there is a problem What did the banks say to the FCAC on this point?</p> <p>SEND SALES PRACTICES TO KEITH</p> <p>Marie Nadeau to send to Keith</p>
--	--	---

<u>Action Item</u>	<u>Wording Excerpt Reference from 3 October 2019 Thought Starter</u>	<u>Number Reference, 3 October Thought Starter</u>
Develop a regular communication to customers and include this in that effort.	<i>Improved Post-Sales Conduct, from Australian Securities & Investments Commission's "Consumer credit insurance" report, Report 622, July 2019, pp. 4, 13-16: "Lenders and insurers should give consumers appropriate annual communication about the price, limits and exclusions of the policy and remind them to lodge a claim if they had a claimable event in the past 12 months."</i>	<p>21</p> <p>Do something every two years?</p> <p>What should be in the communication?</p> <p>What is format/channel?</p> <p>"Leave the method and timeliness flexible for firms"</p> <p>LET'S SAY ONE YEAR MAKES SENSE</p> <p>Don't prescribe the communication method</p> <p>Perhaps say "clear, with opportunity to cancel easily"</p>
Develop a regular communication to customers and include this in that effort, but do not ask customers if they want to cancel their policy.	<i>Improved Post-Sales Conduct, from Australian Securities & Investments Commission's "Consumer credit insurance" report, Report 622, July 2019, pp. 4, 13-16: "Lenders and insurers should, every two years, contact consumer with CPI on a credit card (or other revolving lines of credit) about</i>	<p>22</p> <p>SEE 21</p>

	<i>whether they want to keep their policy or cancel their coverage.”</i>	
Develop wording for a best practices guideline along the lines of: “If a distributor becomes aware of a customer with a possible insurable event they should suggest that they contact their insurer.”	<i>Improved Post-Sales Conduct, from Australian Securities & Investments Commission’s “Consumer credit insurance” report, Report 622, July 2019, pp. 4, 13-16: “Lenders should notify a consumer with a CPI policy who applies for changes to their loan contract due to financial hardship that they have a CPI policy and provide or transfer their claim details to the insurer for assessment.”</i>	23 Getting something in the annual communication reminding people of claimable events Make this part of the annual communication Marie will see how this works in NBI
The industry supports and will comply with the requirement to accurately and reliably record claims denied including the number of such claims and the reasons why.	<i>Improved Post-Sales Conduct, from Australian Securities & Investments Commission’s “Consumer credit insurance” report, Report 622, July 2019, pp. 4, 13-16: “Insurers should accurately and reliably record the number of (and reasons for) withdrawn claims and claims that did not proceed.”</i>	24 What does withdrawn mean? Voiding policy issue Reasons for denial

Action Item	Wording Excerpt Reference from 3 October 2019 Thought Starter	Number Reference, 3 October Thought Starter
Remind regulators that the “free look” period is shared in the welcome package they receive after enrolling for coverage. In the Action Item section on using better terminology, change “fee look period” to “review period.” Commit to a regular communication with customers of what they had signed up for, what it covered them for, and what they were paying for the coverage. Commit that industry will not use the review period as a selling tool and that scripts and sales training will continue to emphasize that.	<i>Creditor Insurance; Reconfirmation of Purchase/Enrolment after “free look” period, from Financial Consumer Agency of Canada (FCAC)’s Domestic Bank Retail Sales Practices Review, p. 14: “However, it is important to highlight that banks are not required to ask consumers to reconfirm their consent for acquisition of the product after the initial 30-day period (free look period).”</i>	#33 NEW MEETING 17 OCT 2019 ROB DOBBINS; SCOTT KIRBY; KEITH MARTIN; MARIE NADEAU; SHARON APT This is not something we do. It is covered by the commitment made around regular communication.

<p>The industry commits to not enrolling customers who are not eligible for the coverage. The industry should look at additional disclosures and filters to avoid signing up customers for coverage for which they are not eligible. The industry could look at sharing with regulators industry's eligibility criteria. There should be an effort to come up with a common definition of "resident of Canada."</p>	<p><i>Creditor Insurance; Consumer risks associated with creditor insurance, from Financial Consumer Agency of Canada (FCAC)'s Domestic Bank Retail Sales Practices Review, p. 14: "... Bank employees may sell creditor insurance to post-secondary students to go along with a personal line of credit but neglect to inform them that they need to work a minimum number of hours for the coverage to be in force."</i></p> <p><i>Improved Sales Practices, from Australian Securities & Investments Commission's "Consumer credit insurance" report, Report 622, July 2019, pp. 4, 13-16: "Lenders should use 'hard filters' for key eligibility criteria for online sales and 'knock out' questions in scripts for phone and branch sales to prevent the sale of CPI to consumers who are ineligible to claim primary cover."</i></p>	<p>#34 and #35</p> <p>Life cycle issue, coverage could change as life circumstances change. Working Group members will be asked to offer examples of filters, like age, that remove people who are not eligible for coverage.</p>
<p>Set out clearly for the regulators the current industry practices, including the where, when and how of current communication. Challenge this statement, noting that all training and scripts emphasize the optional nature of balance protection insurance and this statement does not reflect how CAFII members' sell this product. Where a sales person deviates from these expectations, it is taken very seriously, viewed as rogue behaviour, and is dealt with immediately. Set out how industry discloses clearly and consistently the optional nature of this coverage.</p>	<p><i>Creditor Insurance; Consumer risks associated with creditor insurance, from Financial Consumer Agency of Canada (FCAC)'s Domestic Bank Retail Sales Practices Review, p. 14: "... Front-line employees may sell creditor insurance by advising consumers that "the credit card comes with balance protection," which may give consumers the impression that creditor insurance is a card feature, as opposed to what it really is: a separate and optional product."</i></p>	<p>#36</p> <p>Provide examples of our practices. Look at ways to present this and what to avoid in terms of language. Do not believe this is a systemic issue.</p>
<p>See Item #36. Look at whether there are terminology changes in this</p>	<p><i>Creditor Insurance; Consumer risks associated with creditor insurance, from Financial Consumer Agency of Canada (FCAC)'s Domestic Bank Retail Sales</i></p>	<p>#37</p> <p>This represents a biased view. Industry is operating appropriately.</p>

section that industry should consider.	<i>Practices Review, p. 14: “Bank employees may try to persuade consumers to purchase creditor insurance by failing to provide clear information about the 30-day first-look feature. For example, when consumers ask questions about coverage exclusions, bank employees may encourage them to purchase the product on a trial basis in order to obtain an information package, even though the information is available without purchase. During the review, the FCAC found that some consumers forget to cancel the product and incur premium payments.”</i>	It is not necessary to continuously repeat that the customer can cancel. “Free look” term is problematic. Need to take on new terms, perhaps with other members from other workstreams. Ask the rest of the group if anyone would like to take this on. Should we speak of a “30 day return period” or “30 day cancellation period”? Or 30 day review period?
Document the procedures and controls used by insurers and intermediaries, including front end controls, competency development, training and education, scripting, and monitoring and controls. Note that where improper behaviour is identified, it is dealt with immediately. Listening to small numbers of calls can identify broader issues that can be dealt with immediately. The industry could also update and enhance training based on expanded regulatory expectations. We should also tie remediation to the fair treatment of customers.	<i>Creditor Insurance; Controls for creditor insurance sales practices; Scripts and cues, from Financial Consumer Agency of Canada (FCAC)’s Domestic Bank Retail Sales Practices Review, p. 15: “. . . Banks do not have adequate controls in place to ensure employees follow scripts, clearly explain terms and conditions, and avoid using undue sales pressure. Oversight is greater in call centres where calls are recorded, but only a very small number are reviewed for compliance with the bank’s code of conduct and market conduct obligations. In the branch environment, banks largely rely on branch managers, assistants and supervisors to prevent mis-selling.”</i>	#38 Working group Follow cancellation rates in order to reinforce training in branches where cancellation rates are higher. Robust training programs and-Certification of training (face to face selling harder to monitor than sales through call centers in the absence of recording) MYSTERY SHOPPING? WHO WOULD DO IT?
Develop best practices guidelines to address each of these specific expectations.	<i>Controls for sales practices; Telephone channel, from Financial Consumer Agency of Canada (FCAC)’s Domestic Bank Retail Sales Practices Review, pp. 20-21: “. . . FCAC found that in bank call centres where employees take 1,400 calls per month, generally up to 4 calls are reviewed for quality assurance purposes.</i>	#39 Working group Call selection should be risk based instead of random

	<i>... Banks should review a higher number and larger proportion of calls for quality assurance. Implementing voice analytic technology could reduce the costs associated with reviewing more calls. In addition, call selection should be risk-based instead of random. When sales practices issues are identified during call reviews, banks should perform significantly more root-cause analyses."</i>	<p>Quality of sampling should be prioritized to quantity for monitoring.</p> <p>Smaller samples could be reviewed more regularly</p> <p>Oversight should focus on risk items.</p> <p>QUALITY NOT QUANTITY IS WHAT IS IMPORTANT</p>
The industry should commit to ongoing competency development. It was felt that instead of certification, there could be a commitment to industry standards around member courses. Industry could commit to ongoing training and to knowledge retention testing. Industry could commit to strengthened training.	<i>Creditor insurance; controls for creditor insurance sales practices; Training, from Financial Consumer Agency of Canada (FCAC)'s Domestic Bank Retail Sales Practices Review, p. 15: "The review revealed that bank employees are not always adequately informed or knowledgeable about creditor insurance products. . . . During FCAC branch visits, employees provided inaccurate and incomplete information about the benefits, coverage and exclusions associated with creditor insurance when answering questions about how they sell the product. FCAC is of the view that there is room to strengthen the training of front-line staff.</i>	<p>#40</p> <p>Working group</p> <p>Group agrees that appropriate training should be strengthened</p>
Explore applying a form of Quebec's RADM S35 as an industry practice, or alternatively explore clawbacks of commissions when certain cancellation thresholds are met.	<i>Creditor Insurance; Controls for creditor insurance sales practices; Claw backs from Financial Consumer Agency of Canada (FCAC)'s Domestic Bank Retail Sales Practices Review, p. 15: "Banks gather some data on cancellation rates, but they may not necessarily reflect instances of mis-selling as consumers may cancel the insurance for other reasons. Further analysis of cancellations by banks would enable the data to be used to monitor, identify and address sales practices risk."</i>	<p>#41</p> <p>Working group</p> <p>Group agrees that data analysis is already done by branches/insurer and might not need to be increased.</p> <p>Nevertheless, group suggests increasing the use of data cancellation to identify and address sales practices risks.</p>
Create a high-level principle around the assertion that all	<i>Cross-Selling, from Financial Consumer Agency of Canada (FCAC)'s Domestic</i>	<p>#43</p> <p>Working group</p>

employees must be trained and monitored around sales practices, and only acceptable and appropriate sales practices will be practiced.	<i>Bank Retail Sales Practices Review, pp. 11-12: “Banks’ heightened focus on cross-selling may increase the risk that they will fail to obtain consumers’ express consent. . . . increases the risk that bank employees will feel rushed and not communicate in a manner that is clear, simple and not misleading when obtaining a consumer’s consent.”</i>	See section 38.
Identify and detail a list of actions which organizations can take to ensure express consent is obtained, across all applicable channels, for possible inclusion in a high-level principle or best practice.	<i>Controls for Cross-Selling Risk/Consent, from Financial Consumer Agency of Canada (FCAC)’s Domestic Bank Retail Sales Practices Review, p. 12: “The controls in place to ensure banks obtain consumers’ consent through communication that is clear, simple and not misleading are typically weaker in the branch channel when compared to call centre operations. . . . In branches, managers and customer service supervisors are responsible for ensuring that employees read the scripts and cues. However, FCAC found that branch managers and supervisors are not well-positioned to ensure that express consent is always obtained in the prescribed manner.”</i>	#44 Working group See section 38. Follow cancellation rates and reinforce training if required in branches where rates are higher Monitoring could be accomplished by mystery client tool. Monitoring could be accomplished by Internal audit or other sector of branch/insurer.
Relegate this item to the “Not Applicable” section, as while the industry is in agreement that quality express consent is required, pre-consent to even broach making an offer of credit protection insurance to a consumer is not applicable to the Canadian market/industry context.	<i>Improved Sales Practices/Consent, from Australian Securities & Investments Commission’s “Consumer credit insurance” report, Report 622, July 2019, pp. 4, 13-16: “Lenders should obtain and record positive, clear and informed consent before discussing the sale of CPI with a consumer.”</i>	#45 Working group Will not comment.
Research best practices around call calibration including level of sample size, and explore committing industry to those best practices. Examine whether there are cases where certain products are not appropriate for certain	<i>Controls for Cross-Selling Risk, from Financial Consumer Agency of Canada (FCAC)’s Domestic Bank Retail Sales Practices Review, pp. 12-13: “Banks record most conversations between consumers and call centre employees, which allows them to review transactions to verify whether employees are following the scripts and properly</i>	#46 Working group This section is similar to sections 38 and 39. Risk based approach to selection of calls should

customers, and whether that is something we would feel able to commit to including in our sales practices.	<i>obtaining the consent of consumers. However, the review revealed that banks examine only a relatively small number of calls – too few, in fact, to provide a high-level of confidence that individual call centre employees are in compliance with policies and procedures related to obtaining consent.”</i>	prioritized (the fact that an employee knows he/she might be listened to will ensure better service). Depending on concerns, scripts can be enhanced or employee retrained.
Explore ways in which to ensure customers who sign up for a product are eligible to make a claim on it, and identify what the industry could commit to – in terms of a high-level principle or best practice -- that would improve regulators’ comfort that customers are not being enrolled in products for which they are not able to make a claim.	<i>Improved Sales Practices, from Australian Securities & Investments Commission’s “Consumer credit insurance” report, Report 622, July 2019, pp. 4, 13-16: “Lenders should take into account information they have about the consumer to ensure consumers are not being sold a CPI policy where they are ineligible to claim (this does not have to mean that personal advice is being provided).”</i>	#48 Working group See sections 23, 34 and 35

Workstream C

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

Items #5, 49; and #7, 42

UPDATE 17 October 17, 2019

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

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

Discuss non-financial incentives *

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

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

Discussed providing commentary on the consequences of bad behavior

Arrive at standard metrics to monitor (KRI's)

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

Look at competences

What does success look like?

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

Outsourcing

Applies to all outsourcing arrangements including insurers

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

Next steps

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

7 November 2019—

B and Incentives will be merged

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

ASKING FOR 2 INSURERS

Sharon Apt will do it or find someone

Monika Spudas will get back to us

SHARON AND MONIKA WILL WORK ON OUTSOURCING FOR THE WORKPLAN

NEXT STEP IS TO DEVELOP THE OUTSOURCING WORKPLAN

SEE #7

After workplan is developed need to ask for volunteers again

Workstream C Members

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

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

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

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

Workstream #5 Product Design

Items #8, 10, 13

Workstream D Members

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

Spokesperson Joanna Onia

UPDATE FROM JOANNA NOV 1 2019

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

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

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

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

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

Thank you

Joanna

7 November 2019

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

Should push back on that

Need to respond to what the consumer wants

"let's not paint members into a corner"

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

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

Workstream E

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

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

Workstream E Members

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

Karyn Kasperski Spokesperson

UPDATE BY KARYN KASPERSKY—9 January 2020

CAFII Workstream E – Draft Guiding Principles

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

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

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

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

7 June 2019

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

Bundling versus unbundling issue

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

Item #14 is next to be discussed

May need to discuss Certificate of Insurance

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

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

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

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

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

Workstream #10 Claims; and #11 Complaints Handling

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

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

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

NEED AN SME TO JOIN GROUP

8 January 2020

Let's try to get some SLAs

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

One component of diligence is timing

"roll the sleeves up working group session"

Two components: 100% within 5 business days

Definition of action—claim set up

This relates to diligence part

Need to look at different components

"Fairly settled"

"What is accessible?"

"How communicated"

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

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

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

Need to show Board some progress

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

FOR EXAMPLE:

Claims – principles will address immediate, fairness, claims procedure

Experience—timing for action, timing for settlement

Fairness—need to figure that out

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

Simplicity—language principles etc.

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

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

First need to develop an outline

FCAC definition of complaint is too broad

Probably need to be cautious about using their definition

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

EMAIL FROM MARTIN BOYLE, 8 January 2020

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

Claims Ps will address the following areas

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

Complaints Ps will address the following areas

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

Hope that this helps.

Martin

7 November 2019

Asked for Claims and Complaints SME

CUMIS will try to find a claims SME

Still need a SME from complaints

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

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

Martin will look at complaints SME

Jamie Paradis BMO Insurance

Isabelle West BMO Insurance

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

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

Workstream G

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

Items #30, 31, 32

Workstream G Members

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

Spokesperson: Andrea Stuska

October meeting—Spokesperson: Brendan for Andrea Stuska

7 June 2019

Have held two meetings

Good practices are already in place

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

Demonstrate how report and monitor

How maintain relationship with regulators—provide those examples

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

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

BMO Insurance

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

Greg Caers

Rebecca Saburi

RBC Insurance

Karyn Kasperski, Co-Chair of the Working Group

Assurant

Rob Dobbins

Canada Life Assurance

Sharon Apt

Canadian Premier Life/Valeyo

Dana Easthope

Asma Desai, Canadian Premier Life

CUMIS/The Co-operators

Michelle Costello

CIBC Insurance

Joanna Onia

Parminder Rai

Desjardins Financial Security

Isabelle Choquette

Nathalie Baron

Manulife Financial

Monika Spudas

National Bank Insurance

Michele Jeanneau

Luce Doyon

Marie Nadeau

Caroline Cardinal

Audrey Delage

ScotiaLife Financial

Brad Kuiper

Denzyl Monteiro

TD Insurance

Jeremy Flanagan

Andrea Stuska

Scott Kirby

Kathy Hawkins

Hassan Khawaja

Staff

Brendan Wycks, CAFII Co-Executive Director

Keith Martin, CAFII Co-Executive Director

MEETINGS OF THE WORKING GROUP

Participants 17 October, 2019 1-2pm

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

Participants 7 November 2019

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

NEXT STEPS ACTIONS GENERAL 7 NOVEMBER 2019

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

Québec, le 20 décembre 2019

PAR COURRIER ÉLECTRONIQUE

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

Objet : Demande de renseignements - Incidents opérationnels

Madame,
Monsieur,

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

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

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

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

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

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

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



Nathalie Sirois, CPA, CGA, MBA, CRMA

p.j. Annexe

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

ANNEXE

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

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

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

Délai

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

Information requise

Les informations suivantes seront requises:

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

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

Mode de transmission

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

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

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

Québec City, December 20, 2019

BY E-MAIL

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

Dear Sir/Madam:

Subject: Request for information - Operational incidents

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

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

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

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

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

Yours truly,

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

Encl.: Appendix

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

APPENDIX

AMF requirements for reporting operational incidents

Definition of an operational incident for reporting purposes

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

Time frame

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

Required information

The following information will be required:

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

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

Submission method

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

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

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

CAFII Views On Why The AMF's Regulation Respecting Alternative Distribution Methods (RADM) Should Not Apply to Credit Card-Embedded/Inclusive Insurance Benefits

CAFII has been supportive of the AMF's new Regulation Respecting Alternative Distribution Methods (RADM). Our Association's members are diligently working to comply with all of the Regulation's new requirements by the June 13, 2020 conclusion of the much-appreciated one-year transition period provided by the Autorité.

CAFII has been informed by ACCAP/CLHIA that recently, at a regular update meeting with Nathalie Sirois and other AMF officials to discuss various issues, the AMF indicated that it expects insurers to publish on their websites a Distribution Guide or Product Summary and that it also expects insurance distributors to provide consumers, at point of sale, with a Distribution Guide or Product Summary and the AMF's Fact Sheet for all sales of insurance without a representative, including for credit card-embedded/inclusive insurance benefits.

CAFII is very concerned about this possible AMF position related to credit card-embedded/inclusive insurance benefits under the RADM.

CAFII members have been preparing to implement the Product Summary and Fact Sheet modernization mandated under the RADM on the assumption that those documents apply only in the case of **direct sales** of insurance products; and we are strongly of the view that in the case of credit card-embedded/inclusive insurance benefits, no "offer" of insurance and no "sale" of insurance occurs.

In that connection, we believe that this issue is much larger than just requiring the provision of a Product Summary and Fact Sheet to consumers who apply for and secure a credit card with embedded insurance benefits. Having the RADM/Distribution Without a Representative regime apply to such inclusive benefits will have a much larger impact, particularly given the new requirements under the Regulation, including the following:

- 1) consumer confusion: the consumer's intent is to apply for and secure a credit card, an important financial decision, and he/she would be distracted in the decision-making process by overwhelming documentation regarding the secondary features and benefits of the credit card(s) under consideration;
- 2) disclosing, to consumers, premiums paid by the credit card issuer to the insurer, which is commercially sensitive information and proprietary to the insurer; and
- 3) annual reporting to the AMF on each credit card-embedded insurance benefit (for data points such as premiums, claims etc.) which, given the array of embedded insurance benefits provided by insurers to credit card issuers, will be a huge undertaking for the businesses involved and will impose immense new burden upon industry participants and upon the AMF in its compliance monitoring and oversight work.

As a foundation for the further arguments which we advance below in support of CAFII's position that credit card-embedded/inclusive insurance benefits are altogether different from the direct sales of insurance covered under the RADM and that such embedded benefits should not give rise to the requirement to provide consumers with a Product Summary and Fact Sheet, it is important to properly characterize the nature of embedded/inclusive insurance benefits, as follows:

- 1) credit cards issued in Québec, and indeed throughout Canada, have embedded benefits included as a feature of the card;
- 2) consumers apply for and choose between competing credit cards offered in the marketplace largely based upon the rewards program associated with the card (i.e. percentage of cash back, air miles or similar points-type rewards) and the magnitude of the annual fee, not other embedded/inclusive benefits such as insurance coverage;
- 3) the consumer who applies for a particular credit card makes no decision on whether or not to purchase the embedded insurance coverage; his or her only decision related to the card-embedded insurance benefits is whether or not to use those benefits which holding the card makes available to him/her; and
- 4) premiums for the credit card-embedded insurance benefits available to the cardholder are paid by the credit card issuer (not the consumer) and there is no remuneration paid by the insurer to the distributor (credit card issuer) with respect to such embedded/inclusive insurance benefits.

The very competitive marketplace among credit card issuers includes a wide variety of different offerings; and it is important to note that in almost all credit card situations, the consumer is applying for a card that includes a variety of embedded, non-optional features and benefits. Within a particular credit card, if there is a benefit which the consumer does not value, he or she cannot simply reject that particular benefit and opt out of receiving it; rather, he or she must consider a different credit card with different embedded benefits.

Credit cards are not offered "à la carte"; they come with a specified bundle of embedded benefits and the consumer can choose to apply for a card based on what those embedded benefits are, or otherwise choose not to apply for the card. The Mastercard and VISA networks have rules which require that certain features and benefits be included with the credit cards issued under their networks, and there can be no "opting out" by either the cardholder or the issuer from the embedded insurance coverages that are part-and-parcel of a card.

As such, in the case of credit card-embedded/inclusive insurance benefits, having to provide consumers with a Product Summary of an embedded insurance coverage, along with an AMF-prescribed Fact Sheet that outlines rights that the customer is supposed to have related to the embedded insurance coverage, while not doing so for all of the other features and benefits embedded in the credit card, is almost certain to confuse the consumer.

Industry participants may find themselves having to direct consumers to the AMF for an explanation as to why irrelevant documents are being provided to them by the financial institutions where they've applied for a credit card. Is the AMF prepared/resourced to field such questions and is consumer confusion the public policy outcome the AMF is seeking?

Below we provide a section-by-section analysis of the RADM, with respect to why its provisions should not apply to credit card-embedded/inclusive insurance benefits, as well as the repercussions if the AMF officially determines and insists that they do apply.

19. This article applies to an insurer that **offers** insurance products through a **distributor** in accordance with Title VIII of the Act respecting the distribution of financial products and services (chapter D-9.2).

“Distributor” is defined under s.408 of Title VIII of the Act as “a person who, in pursuing activities in a field other than insurance, **offers, as an accessory, for an insurer, an insurance product which relates solely to goods sold by the person or secures a client’s adhesion in respect of such an insurance product.**”

A credit card issuer does not meet the Act’s definition of “distributor” because

- 1) the card issuer is not “secure[ing] a client’s adhesion in respect of an insurance product” because embedded/inclusive benefits are provided to all cardholders and the credit card issuer does not undertake any action in relation to a particular cardholder in order to make the inclusive benefit available to that cardholder;
- 2) embedded benefits are inextricably connected to the credit card as included features and not optional “accessories” which are offered to a cardholder to decide whether or not to select; and
- 3) an insurance product that “relates solely to the [credit card]” would typically have the object of covering the unpaid balance on the credit card (the consumer’s debt obligation), but this is not the case with inclusive benefits (e.g. for embedded travel medical insurance benefits, the coverage covers medical expenses for the cardholder).

It is also helpful to look at how the AMF’s *Sound Commercial Practices Guideline, 2013* applies to distribution without a representative. When it comes to disclosure before and after the offer, there are specific references to “purchase.” Consumers do not “purchase” a product which they don’t have to pay for, such as credit card-embedded insurance benefits, they are merely receiving it. There is no consumer purchase decision directly related to the embedded insurance benefits; therefore, the *Sound Commercial Practices Guideline*’s requirements – and the RADM’s provisions -- do not and should not apply.

If the AMF officially determines and insists that the RADM’s provisions do apply to credit card-embedded/inclusive insurance benefits, such that credit card issuers must be viewed and treated as “distributors,” the impact is outlined in the following sections of the Regulation:

20. This article refers to section 66 of the Insurers Act: An authorized insurer must, without delay, send the Authority a list of the contracts with respect to which a distributor will be dealing with clients or participants and a list of such distributors. The list of distributors must include the names and addresses of the distributors and the insurance contracts for which the insurer is doing business with them. The list of contracts must include a description of the insurance coverage provided by those contracts.

In the case of credit card-embedded/inclusive insurance benefits, this will result in insurers having to file great deal of information with the AMF and keep it updated on a regular basis. This will be a huge undertaking for the businesses involved and impose immense new burden upon industry participants and upon the AMF in its compliance monitoring and oversight work.

21. The insurer must disclose annually to the Authority the following information for each product offered through a distributor:

- (1) the number of insurance policies and certificates issued and the amount of premiums written;
- (2) the number of claims and the amount of indemnities paid;
- (3) the number of rescissions and cancellations;

(4) *the remuneration paid to all distributors and third parties referred to in subparagraph 1 of the first paragraph of section 20.*

It will be an enormous undertaking for underwriters of credit card-embedded/inclusive insurance benefits to provide the AMF with all of this data, broken down by product. Since the wording under 21(1) is not limited to premiums paid by insureds, it would also require a reporting of premiums paid by the card issuers to insurers in the case of embedded/inclusive insurance benefits.

S.21(4) also presumes the payment of remuneration, which makes sense in the context of optional products, but for embedded/inclusive insurance benefits, there is no such remuneration.

22. Before offering a product through a distributor, the insurer prepares the product summary in accordance with sections 28 and 29. The insurer mandates the distributor to deliver the summary to the client at the time it offers the product to him, together with a fact sheet in the form set out in Schedule 2.

For the Product Summary, under s. 29, several required disclosures are not applicable to and highly problematic for credit card-embedded/inclusive insurance benefits, as follows: s.29(9) right to cancel; and s. 29(12) disclosure of premium (actually paid by the card issuer – which is commercially sensitive, proprietary information of the insurer).

When it comes to its applicability to and suitability for credit card-embedded/inclusive insurance benefits, the entire Fact Sheet is problematic and will only mislead and confuse consumers, for the following reasons:

- 1) **Right to cancel:** Credit card-embedded/inclusive insurance benefits cannot be cancelled, and they can only be terminated when the credit card itself is cancelled. Card cancellations are handled by the credit card issuer, not the insurer.
- 2) **Name of distributor** - the card issuer would need to be listed here, but this could create the false impression that it is the entity providing the insurance benefits.
- 3) **It is your choice: You are never required to purchase insurance – How to Choose”:** credit card-embedded/inclusive benefits come with the card. There is no purchase of insurance. There is no option to accept or refuse any individual feature. The inclusive benefits that come with a credit card are not voluntarily purchased or accepted.
- 4) **Distributor Remuneration: A portion of the amount you pay for the insurance will be paid to the distributor as remuneration.** There is no remuneration in the case of credit card-embedded/inclusive insurance benefits, so this clause in the Fact Sheet is Not Applicable.

Given that the RADM does not specifically outline consumer disclosure requirements with respect to insurance benefits embedded in a credit card – a situation where there is no direct sale of the insurance benefits; the consumer is not paying a premium for the coverage; the consumer does not have the option to decline/opt out of the coverage without switching to a different credit card altogether; and the AMF’s Fact Sheet has no applicability to embedded insurance benefits and would be entirely confusing to consumers – CAFII members have been implementing the RADM on the basis that providing consumers with a Product Summary and a Fact Sheet is not required for credit card-embedded/inclusive insurance benefits.

Further concerns and issues related to the possible AMF position that a Product Summary and Fact Sheet must be provided with respect to credit card-embedded/inclusive insurance benefits arise from

- (1) the fact that the consumer's intent is to apply for and secure a credit card, an important financial decision, and it would not be helpful to distract him/her in the decision-making process with overwhelming documentation regarding the secondary features and benefits of the credit card(s) under consideration. Under the RADM, the Product Summary and Fact Sheet are intended to be provided to consumers as point-of-sale documents, i.e. they must be provided to the consumer prior to the purchase of an insurance product.

We understand and support the AMF's Fair Treatment of Consumers and consumer protection objectives in this area. However, for credit cards, the provision of a Product Summary and a Fact Sheet at point-of-sale (i.e. at point of application for a credit card) will only confuse consumers, especially because they are applying for a credit card with a wide variety of features and benefits; and **not** directly purchasing insurance; and

- (2) the variety and nature of the insurance coverages that are typically included in a credit card's embedded benefits. For example, embedded travel insurance benefits could include travel medical (accident and sickness) insurance, trip cancellation insurance, trip interruption insurance, and baggage loss insurance. To require the provision of a Product Summary and Fact Sheet for each of these benefits would overwhelm consumers.

Based on industry experience, consumers have a good understanding of these embedded/inclusive benefits, are provided with easy to understand certificates of insurance, and make claims regularly. Has the AMF received any consumer complaints about these benefits?

CAFI respectfully submits that the possible AMF position which we are querying -- that under the RADM regime, a Product Summary and Fact Sheet must be provided to consumers and that related reporting to the AMF requirements for direct sellers of insurance do apply **in the case of credit card-embedded/inclusive insurance benefits** -- does not fit or align well with existing marketplace realities.

We request that the Autorité clarify and communicate to the industry, as soon as possible, that credit card-embedded/inclusive insurance benefits **are exempt** from the RADM's requirements to provide consumers with a Product Summary and a Fact Sheet, and the related direct seller of insurance reporting requirements to the AMF.

Agenda Item 6(g)
January 21/20 EOC Meeting

Proposed Approach and Target Dates For
CAFII Spring 2020 Atlantic Canada Insurance Regulators and Policy-Makers Visits
(Based On Member Feedback Arising From
Fall 2019 CAFII Western Canada Insurance Regulators and Policy-Makers Visits Tour)

Option A

New Brunswick and Prince Edward Island (in that order)

- two consecutive days in the Monday, May 11/20 to Thursday, May 14/20 timeframe

Nova Scotia and Newfoundland and Labrador (in that order)

- two consecutive days in the Wednesday, May 20/20 to Friday, May 22/20 timeframe

Option B

New Brunswick and Prince Edward Island (in that order)

- two consecutive days in the Wednesday, May 20/20 to Friday, May 22/20 timeframe

Nova Scotia and Newfoundland and Labrador (in that order)

- two consecutive days in the Monday, June 1/20 to Friday, June 5/20 timeframe

Option C*

New Brunswick and Prince Edward Island (in that order)

- Monday, May 4/20 and Tuesday, May 5/20

Nova Scotia and Newfoundland and Labrador (in that order)

- two consecutive days in the Wednesday, May 20/20 to Friday, May 22/20 timeframe

CLHIA's 2020 Compliance and Consumer Complaints Conference runs from Wednesday, May 6/20 to Friday, May 8/20 at the Marriott Chateau Champlain Hotel in Montreal.