

CAFII Executive Operations Teleconference Committee Meeting

Date: Tuesday, July 23, 2019

Location: Teleconference Only

Chair: M. Boyle

Time: 2:00 – 3:30 p.m. EST

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

Pin #: 1500

Agenda

Item	Presenter	Action	Document
1. Call to Order 2:00 p.m.	M. Boyle		
2. Consent Items 2:02 p.m.			
a. Draft Minutes of June 4, 2019 Board Meeting			✓
b. Consultations/Submissions Timetable			✓
c. CAFII Submission to FCNB on “Licensing of Insurance Adjusters and Damage Appraisers”			✓
d. CAFII Submission to Insurance Council of BC on “Updated Guidance for New Life Agent Supervision”			✓
e. THIA Notices Re September 9/19 “Innovation Summit” and September 10/19 Annual Meeting			✓
f. AMF Save the Date Notice Re 2019 Rendez-Vous Mini-Conference: Monday, November 25/19			✓
3. CAFII Financial Management and Governance Matters 2:05 p.m.			
a. Financial Statements as at June 30/19	T. Pergola	Update	✓
b. 2019 Fiscal Year Forecast as at June 30/19	T. Pergola	Update	✓
c. Stikeman Elliott Fees Accounting For CCBPI Special Project and Related Legal Services	K. Martin	Update	
d. Confirmation of August 13/19 EOC Teleconference-Only Meeting	M. Boyle	Update	
e. October 1/19 CAFII Lunch/Meeting With AMF Staff Executives and Board Meeting In Montreal	B. Wycks	Update	
4. Recent and Upcoming CAFII Strategic and Regulatory Initiatives 2:20 p.m.			
a. Yukon Cessation Order Re Sale of Credit Protection Insurance	K. Martin	Update	✓ (2)
b. CAFII’s Taking Over of Quarterly CGI Benchmarking Study from CBA	K. Martin	Update	✓ (3)
c. CCBPI Industry Practices, Standards, and Gap Analysis Initiative: Next Steps	K. Martin/M. Boyle	Update	
d. Recent AMF Regulatory Issues	K. Martin/B. Wycks	Updates	
i. Spousal Coverage Issue			
ii. Template of Summary to Replace Distribution Guide			
iii. Necessity of Providing Summary for Embedded Credit Card Balance Protection Insurance Coverage			
e. CAFII/CLHIA Joint Development of Template for Replacement of Distribution Guide in Quebec	K. Martin	Update	
f. Draft CAFII Submission To BC FICOM on “Insurance Fees” Industry Funding Of New BCFS	B. Kuiper/B. Wycks	Update	✓ (3)
g. FCNB Plans To Develop An RIA Licensing Regime In New Brunswick, Including Changing Nomenclature/Terminology To “Incidental Sellers of Insurance Licensing Regime”	B. Wycks	Update	
h. Deferral of June 27/19 CAFII Meeting With CCIR/CISRO FTC Working Group to Fall 2019	B. Wycks	Update	✓
i. CAFII Congratulatory Letter to New FCAC Commissioner Judith Robertson; and Pursuit of Follow-up “Creditor Insurance Education and Dialogue Meeting”	K. Martin	Update	✓
j. Itinerary for CAFII Fall 2019 CAFII Western Canada Tour; and Regulator and Policy-Makers Acceptances	B. Wycks	Update	✓
k. Public Release and Dissemination of Pollara Consumer Research Results on CPI:	K. Martin	Updates	
i. Presentation to AMF staff on July 12/19 (webinar in French)			
ii. Presentation to CLHIA staff on July 18/19 (in-person)			
iii. Presentation to FSRA staff on July 29/19 (in-person)			
iv. Production of Leave-Behinds			
l. CAFII Liaison Dialogue With Tom Keepers, Consumer Credit Industry Association in US, Including Prospect of Invitation to Present Pollara CPI Research Results and Profile CAFII at	K. Martin	Update	
i. CCIA Winter Board & Committee Meetings, January 20-22/20, Las Vegas			
ii. CCIA Annual Meeting, May 4-6/20, St. Augustine, Florida			
m. CAFII Website Enhancements: New Videos (3); Consumer Vignettes; and Research Results Visuals	K. Martin	Updates	
n. Invitation to Serve as a Judge in 2019 Insurance Business Canada Awards	B. Wycks	Update	
o. CAFII Initiation Member and Associate Prospects	B. Wycks/K. Martin	Update	
5. Other Business 3:25 p.m.			

<p>6. Tracking Issues</p> <ul style="list-style-type: none"> a. BC 10-Year Review of Financial Institutions Act b. FCNB Insurance Act Rewrite; and Linked Plan To Introduce An RIA Regime c. AMF Consultation on Updating Sound Commercial Practices Guideline d. Alberta Government Plans to Create a Single Financial Services Regulator e. FCAC: Phase 2 of Domestic Bank Retail Sales Practices Review 			
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Next EOC Meeting: Tuesday, August 13/19, 2:00 – 3:30 p.m., (Teleconference Only) 416.477.0921 / 1.888.543.2449/ Participant Code: 150
Next Board Meeting: Tuesday, October 1/19, 12 Noon to 4:00 p.m., Location: National Bank Insurance, 600 de la Gauchetière, 4th Floor, Montreal

BOARD MEETING
CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE
Tuesday, June 4, 2019
Manulife Financial, Holmes Gooderham A
200 Bloor St. East, North Tower, Toronto, ON

MINUTES

Board Present:	Nicole Benson	valeyo (<i>Chair</i>)
	David Fear	Canada Life Assurance
	Chris Lobbezoo	RBC Insurance
	Peter McCarthy	BMO Insurance
	Sandra Rondzik	CIBC Insurance
	Wally Thompson	Manulife
	Kelly Tryon	CUMIS Services Incorporated (<i>by teleconference</i>)
	Christian Dufour	Desjardins Financial Security
	Paul Cosgrove	Assurant
	Zack Fuerstenberg	Scotialife Financial
	Peter Thompson	National Bank Insurance
	Janice Farrell-Jones	TD Insurance
EOC Present:	Charles Blaquiere	valeyo
	Moir Gill	TD Insurance
	Scott Kirby	TD Insurance
	John Lewsen	BMO Insurance
	Monika Spudas	Manulife Financial
	Peter Thorn	TD Insurance
	Martin Boyle	BMO Insurance (<i>Secretary and EOC Chair</i>)
	Sharon Apt	Canada Life Insurance
	Karyn Kasperski	RBC (<i>by teleconference</i>)
	Tony Pergola	Scotialife Financial (<i>by teleconference</i>)
	Anita Mukherjee	RBC Insurance
	Dallas Ewen	Canada Life Assurance (<i>by teleconference</i>)
	Rob Dobbins	Assurant
Also Present:	Keith Martin	CAFII Co-Executive Director
	Brendan Wycks	CAFII Co-Executive Director
	Natalie Hill	Managing Matters Inc. Recording Secretary
	Jemma Wilson	Managing Matters Inc.
	Mike Kilby	Stikeman Elliott (<i>for part</i>)
	Victoria Hale	Stikeman Elliott (<i>for part</i>)

1: Call to Order, Meeting Confirmation & Governance Matters

N. Benson, Chair called the meeting to order at 3: 16 p.m. N. Benson acted as Chair; M. Boyle acted as Secretary; and N. Hill acted as Recording Secretary.

M. Boyle confirmed that a Notice of Meeting had been sent out to all Directors in accordance with the Association's By-Law. He also confirmed that there was a quorum of Directors present at the meeting, noting that all 12 Directors were present in-person.

N. Benson welcomed everyone to this first meeting of the newly constituted 2019-2020 CAFII Board of Directors.

She reminded everyone that CAFII's consent agenda approach is a tool used to streamline meeting procedures by grouping routine, non-controversial items together, which are then approved or simply received for the record via a single motion and vote. No discussion or debate is permitted on any item that is part of an approved consent agenda.

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

1.1: Review of CAFII Competition Guidelines

N. Benson noted that the CAFII Competition Guidelines provided in today's Board meeting package were adopted by the Association's then-Board of Directors on April 3, 2008. CAFII's practice has been to highlight the key principles set out in the Competition Guidelines annually, at this first Board meeting in a new governance year.

Ms. Benson summarized the CAFII Competition Guidelines, noting that they commit the Association's Directors and other Member representatives who participate in the Association's affairs to avoiding the following:

- Making or discussing any agreement on prices, premiums, fees, or products;
- Exchanging cost information (with the intent to fix prices or reduce competition);
- Restricting independent dealing with industry suppliers; and
- Precluding, arbitrarily, participation in CAFII in a manner that may limit competition.

1.2: Approval of Agenda

On a motion duly made, seconded and unanimously carried

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

1.3: Election of 2019-2020 Officers

N. Benson noted that at this first Board meeting following the election of the Association's Directors, the Board must appoint the volunteer Officers of the Association for 2019-2020, with those volunteer Officer positions being Chair, Vice-Chair, Secretary, and Treasurer.

Article 7.1 of CAFII Bylaw specifies that "the Directors shall select annually Officers of the Corporation. Except for the Executive Director, Officers shall hold their position for a period of one year."

Therefore, the following slate of Officers was nominated for appointment by the Board:

Chair:	Nicole Benson, valeyo
Vice-Chair:	Chris Lobbezoo, RBC Insurance Holdings Inc.
Secretary & EOC Chair:	Martin Boyle, Bank of Montreal, BMO Insurance
Treasurer:	Tony Pergola, ScotiaLife Financial

On a motion duly made, seconded and unanimously carried

IT WAS RESOLVED that the nominated slate of officers is approved by the Board.

2: Approval/Receipt of Consent Items

N. Benson noted that Consent item documents had been provided for each of the five (5) Consent Agenda items; and it was presumed that Directors had reviewed them in advance of this meeting.

On a motion duly made, seconded and unanimously carried

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

And further, IT WAS RESOLVED that the minutes of the meeting of the Board of Directors held April 16, 2019 be and are adopted in the form presented, and that a copy of these minutes be signed and placed in the minute book of the Corporation.

3: Financial Matters

3.1: Approval of April 30, 2019 Financial Statements &

3.2: Revised 2019 Fiscal Year Forecast

T. Pergola, CAFII Treasurer, provided a financial report and review of the April 30, 2019 financial statements for the Board, as well as the related Revised 2019 Fiscal Year Forecast. He noted that the finances are largely on track, with decreased spending offsetting an unbudgeted expense for the Helen Troup from Australia visit in February 2019.

The financial reserves as a percentage of annual operating expenses ratio is at 26%, which is at the low end of the 25-50% range that the Association strives for. The loss of Amex Bank of Canada as a member has been offset by reducing the research budget significantly for 2019.

Details around website enhancements are now largely complete, and Keith Martin reported that the \$40,000 budget for that initiative would be partly spent in the next few weeks.

On a motion duly made, seconded and unanimously carried

IT WAS RESOLVED that the April 2019 Financial statements be and are approved as presented.

4: Regulatory Matters

4.1: AMF Spousal Coverage Issue

B. Wycks provided an update on the AMF Spousal Coverage issue. He stated that since last Board meeting, CAFII received a reply back from the AMF in regards to CAFII's submission on the issue in March. CAFII had made several proposals that would have allowed spousal coverage to continue, and these were not accepted by the AMF. Instead, the onus was on affected members to submit individual action plans by 3 May, 2019.

Just prior to the 3 May, 2019 action plan deadline, the CLHIA and the AMF held a further meeting which provided some hope that the AMF might be more flexible on the issue. The CLHIA is making another written submission and CAFII will monitor the outcome carefully and report to the Board and EOC on developments.

On the issue of the approach which the AMF has recently been taking to regulatory matters, K. Martin noted that at the recent 8-10 May, 2019 CLHIA Compliance and Consumer Complaints, there was a francophone luncheon. This session consisted of CLHIA members only (no regulators) and the discussion was entirely focused on how difficult, frustrating, rigid, and enforcement-oriented the AMF had become over the course of the past year or so.

4.2: AMF Finalization of Regulation Respecting Alternative Distribution Methods

K. Martin provided the Board with an update on the AMF's finalization of its Regulation Respecting Alternative Distribution Methods. He noted that the AMF has distributed the final version of the Regulation, which was consistent with what they had previously indicated the final version would look like. The final version of the Regulation & Guidelines in both English and French, along with an accompanying Guidance, were provided in the Board meeting package.

4.3: Saskatchewan Guidance Re Implementation of New Insurance Act and Regulations

B. Wycks updated the Board on a recent Guidance issued by Saskatchewan's Financial and Consumer Affairs Authority with respect to the province's new Insurance Act and related Regulations. He specifically noted that on 18 May, 2019, Saskatchewan published a Guidance around the new Insurance Act. The Guidance also addressed some concerns industry had with a few provisions of the Act, which will not be enacted.

4.4: FCNB Insurance Act Rewrite

B. Wycks provided a multi-part update for the Board on the Financial and Consumer Services Commission of New Brunswick's plans to rewrite the province's Insurance Act and introduce a Restricted Insurance Agent licensing regime; and on some insurance licensing-related consultations which the FCNB currently has underway. He noted that David Weir of the FCNB has been reassigned to be solely focused on the Insurance Act rewrite project. David Weir recently sent CAFII a set of questions that he invited us to offer our thoughts on in relation to this initiative.

The FCNB has also issued a more formal document on the Licensing of Insurance Adjusters and Damage Appraisers in New Brunswick. We have the opportunity to make comments prior to the 2 July, 2019 deadline.

CAFII's Co-Executive Directors are signed up to attend an 11 June, 2019 FCNB inaugural one-day "2019 Consumer Protection Conference" in Fredericton. They will take the opportunity to meet in-person with David Weir and potentially some colleagues of his during that trip to Fredericton.

4.5: CAFII Dialogue with CCIR/CISRO Re Fair Treatment of Consumers

K. Martin provided an update for the Board on our Association's recent interaction and dialogue with the CCIR/CISRO Fair Treatment of Consumers Working Group around industry implementation of the "Guidance: Conduct of Insurance Business and Fair Treatment of Customers" which was issued last September. He noted that CAFII has now participated in two of these quarterly sessions.

At the strategic level, the challenge is to provide evidence to the AMF of progress in the implementation of the Guidance, without offering detailed and granular member-specific information that could be utilized in unforeseen ways by the CCIR Working Group. In particular, the CCIR Working Group has asked CAFII members to provide specific examples of how they are implementing the FTC Guidance, and that is something that some members are very concerned about doing.

It was also noted that the CAFII Pollara consumer research study results could be presented to the CCIR Working Group as an example of CAFII trying to understand the priorities and views of customers.

4.6: FSRA Start-Up as Successor Regulator To FSCO In Ontario, Including Insights From May 17/19 CAFII Liaison Lunch With Glen Padassery, EVP, Policy

Co-Executive Directors B. Wycks and K. Martin provided an update on the start-up of the Financial Services Regulatory Authority of Ontario, or FSRA, which is due to launch and replace FSCO sometime this month. B. Wycks also made reference to the liaison lunch CAFII had with Glen Padassery (FSRA Executive Vice-President of Policy) on May 17/19. Mr. Padassery came across as very aligned with Mark White, FSRA's CEO, as a consultative, principles-based regulator. He made multiple references to burden reduction as a key priority of FSRA. More recently, the Co-Executive Directors attended a Fasken Insurance Law Breakfast Seminar, at which Huston Loke and Mark White both re-emphasized some of the key messages we have been hearing about the importance of consultation and the need for industry to be engaged in the regulatory process.

B. Wycks suggested that FSRA is going to be a quite a different regulator around the CCIR national table, with a more consultative, principles-based approach than some of the other regulators have been deploying of late.

4.7: Insights From 2019 CLHIA Conference Sessions and Related Regulatory Meetings

Co-Executive Directors K. Martin and B. Wycks updated the Board on CAFII-relevant insights gained at the recent 2019 CLHIA Compliance and Consumer Complaints; and related regulatory meetings which were held in conjunction with the conference. K. Martin noted that because there were several sessions that were reviews of “Insurance 101” topics, the comprehensive report on the conference could be a good package for a new employee to review.

4.8: Insights from May 17/19 CAFII Dialogue With Harry James, BC FICOM

Co-Executive Directors B. Wycks and K. Martin provided an update on insights gained from a recent CAFII meeting with Harry James of BC FICOM on plans for the industry’s “self-funding” of the new BC Financial Services Authority (BCFSA) which will replace FICOM later this year.

This informal consultation with Mr. James will be followed by a more formal release of a consultation paper, to which we will likely have 45 days to respond. The funding formula will likely shift for the new BCFSA, and be based more closely on the actual level of business conducted in BC, as opposed to a company’s assets size. BCFSA will be more independent than FICOM and will seek to be able to pay higher salaries so as to be more competitive in the marketplace.

4.9: Proposed Dates for CAFII Western Canada Regulators and Policy-Makers Visits Tour

B. Wycks updated the Board on the proposed dates and tentative itinerary for an October 2019 CAFII Western Canada Insurance Regulators and Policy-Makers Visits Tour, which is currently expected to take place during the week of October 21-25, starting in Manitoba and working its way west.

5: Strategic Matters

5.1: Feedback from CCIR and CISRO Members Arising From May 29/19 CAFII Webinar On Pollara Consumer Research Results On Credit Protection Insurance

K. Martin provided a brief report on the feedback received from CCIR and CISRO Members during and after a recent CAFII webinar for them on our Association’s Pollara consumer research on credit protection insurance. At the last Board meeting, it was suggested that prior to making a decision on whether to release the research results publicly, that they be shared with regulators. This webinar was organized in that connection. About 20 regulators from CCIR and CISRO participated, with a high level of interest and multiple questions asked. Two questions were negative, but the individuals who posed those questions are known to have a biased view of credit protection insurance.

C. Blaquiere commented that participants asked what the next research initiative would be, suggesting an interest in the research results.

In discussion, S. Kirby agreed that the regulator participants were engaged in the webinar, albeit also guarded. K. Martin asked the regulator participants on several occasions during the webinar for their views around CAFII publicly releasing the study, including a media release, but no one offered a view one way or the other.

K. Martin noted that similar presentations of the Pollara credit protection insurance research results would also be made to the AMF and to FSRA.

5.2: Public/Media Results Release of Pollara Consumer Research on Credit Protection Insurance on Mortgages/HELOCs

K. Martin briefly refreshed for the Board the opportunity for CAFII to undertake a public and media results release of the Pollara consumer research on credit protection insurance on mortgages and HELOCs, which was the subject of the recent webinar for CCIR and CISRO regulators.

Based on the positive feedback from the regulators, it was recommended to the board that CAFII release the results publicly, and publish them on the CAFII website, and issue a media release.

In discussion J. Farrell-Jones commented that some of the results might lead to further questions. P. McCarthy mentioned that the fact that the results aren't perfect add to the credibility of the results. C. Lobbezoo agreed and said that the results were generally solid and this was a good way for us to get our message out.

The general consensus was to move forward. It was suggested that possible negative questions be drafted with possible responses.

On a motion duly made, seconded and carried (S. Rondzik abstaining),

IT WAS RESOLVED that CAFII publicly release the Pollara Consumer Research on Credit Protection Insurance on Mortgages/HELOCs.

5.3: Streamlined Process for Approval of CAFII Media Releases

K. Martin provided background on a proposal for a streamlined process for the approval of CAFII media releases, based on the amount of time it took to approve the media release on OHIP eliminating coverage for Ontarians travelling outside of the country.

It was suggested that when CAFII issues a media release, the full Board can be asked to approve the concept, but a Working Group of the Board could be engaged in reviewing drafts of the release.

The view of the Board was that this was not a pressing matter, as CAFII has not traditionally issued many press releases on public policy issues. If this re-emerged as an issue, it could be revisited. It was agreed, therefore, that this matter should be deferred and not pursued further at this time.

5.4: Proposal That CAFII Consider Taking Over Quarterly CGI Benchmarking Study From CBA

K. Martin provided background on a proposal that CAFII consider taking over a quarterly creditor's group insurance benchmarking study from the Canadian Bankers Association.

CBA has been producing this study for a number of years, but has chosen for strategic reasons to discontinue doing so.

C. Lobbezoo suggested that taking over the quarterly CGI benchmarking study from the CBA would be a natural fit for CAFII.

The Board agreed that this was a worthwhile initiative to explore further. Next steps will include contacting the CBA about it, and developing a proposal. It is likely that an RFP will be required for an external actuarial firm to actually conduct the study itself.

K. Martin noted that two participants in the study currently, HSBC and Laurentian Bank, are not CAFII members and would either have to join CAFII if they wished to continue participating in the study, or they would not be part of the study. It was suggested that two members who distribute CPI but are not CBA members, Desjardins and CUMIS, would likely participate in the study if CAFII took it over. Furthermore, CAFII's insurance members (Manulife, Canada Life, Canadian Premier Life, and Assurant) would have access to the research results as CAFII members, even if they do not participate in the study itself by providing data for it.

5.5: EOC Recommendation Re CAFII Pursuit of a Meeting With FCAC Staff Executive(s):

B. Wycks provided background on an EOC recommendation re CAFII possibly pursuing a "Creditor Insurance Education and Dialogue Meeting" with one of more staff executives who remain at the Financial Consumer Agency of Canada, after some very recent senior management departures at the federal regulator. The Acting Commissioner to our knowledge is now Teresa Frick. The Board supported CAFII moving forward to set up a meeting in Ottawa with Teresa Frick.

5.6: CAFII Initiation Member and Associate Prospects:

Co-Executive Directors B. Wycks and K. Martin provided an update with respect to recent CAFII Initiation Member and Associate Prospects developments. Key opportunities right now that are being explored are with MCAP, IA Financial, and Sun Life Financial.

6: Committee Reports Addressing CAFII Priorities

6.1: Market Conduct Committee

It was noted that many of the items under the Market Conduct Committee's purview had already been updated, under the Regulatory section of the agenda.

6.2: Media Advocacy Committee

C. Blaquiére, Chair of the Media Advocacy Committee, provided an update on his committee's recent initiatives and progress.

K. Martin mentioned that media initiatives give CAFII credibility. Media coverage lets CAFII provide its side of the narrative around the products offered by our members, and improves search engine results.

With respect to the website, new videos were being produced, as well as short stories that personalize explanations on our members' products ("vignettes").

6.2(i): Media Coverage of CAFII Release on Ontario's Ending Out-of-Country Medical Coverage

K. Martin updated the Board on our recent CAFII media release initiative and the resulting coverage related to Ontario's ending Out-of-Country Medical Coverage. The media coverage was excellent and included references to CAFII in several newspaper editorials, including the Toronto Star.

6.2(ii): CAFII Website Video on Creditor's Group Mortgage Life Insurance

K. Martin provided an update on plans for a CAFII website video on Creditor's Group Mortgage Life Insurance.

6.3: Licensing Efficiency Issues Committee, including

6.3(i): Saskatchewan RIA Advisory Committee

M. Gill provided an update on the Saskatchewan RIA Advisory Committee initiative, noting that CAFII is consulting with CLHIA and the Insurance Councils of Saskatchewan about the possibility of an early "soft launch" of the RIA Advisory Committee in 2019, prior to the January 1, 2020 in-force date of the province's new Insurance Act, related Regulations, and new Insurance Councils of Saskatchewan Bylaws.

6.4: Research and Education Committee

K. Martin mentioned that the R&E Committee has been focused on the recent Pollara research study. Going forward, the Committee will meet to review options for research in 2020.

6.5: Travel Medical Experts Working Group, including

6.5(i) CCIR Collection of Travel Insurance Data Via Annual Statement on Market Conduct

B. Wycks mentioned that in the past month, there has been a pan-industry initiative on travel medical insurance data collection in which CAFII is working with CLHIA and THIA. There is some additional work being done by this group on the data being requested by the CCIR on travel medical insurance.

7: Special Matters and Other Business

7.1: Stikeman Elliott Review of CAFII Meeting Processes, Minutes, and Association Policies, for Competition Act Compliance and Protection of Solicitor-Client Privilege

Ms. Benson welcomed two visitors to this meeting, Mike Kilby and Victoria Hale from Stikeman Elliott.

Those individuals from Stikeman Elliott had conducted a review of CAFII's documents and procedures, to determine compliance with the Competition Act. In general, their report indicated that CAFII was conducting its business in a professional and appropriate manner, and was fully consistent with the law and intentions of the Competition Act. However, there were some small housekeeping amendments recommended.

The Board agreed with the recommendations made by Stikeman Elliott.

On a motion duly made, seconded and unanimously carried,

IT WAS RESOLVED that CAFII will proceed with the proposed modifications to the CAFII By-Law, Competition Guideline, and related documents, as recommended by Stikeman Elliott.

7.2: June 4/19 CAFII Reception, Including Expected Regulator and Policy-Maker Guests

B. Wycks provided an update on the CAFII Reception which would immediately follow this Board meeting.

He noted that the following regulator and policy-maker guests were expected at this evening's Reception:

Alan Amos, FSCO

Anne Mackenzie, FSRA

Mark White, FSRA

7.3: Next CAFII Board Meeting: October 1/19 In Montreal

B. Wycks provided an update on plans for the next CAFII Board meeting on 1 October, 2019 in Montreal, Quebec.

8: Meeting Termination

Ms. Benson thanked everyone for their participation and contributions to CAFII's advancement through this Board meeting.

On a motion duly made, seconded and unanimously carried

IT WAS RESOLVED that the meeting be terminated at 5:40 p.m.

The Board then moved into its *in camera* session.

CAFII Consultations/Submissions Timetable 2019-20

Regulatory Issue	Deliverable	Deadline	Accountable
BC Ministry of Finance 10-Year Review of FIA (Initial Public Consultation Paper released June 2, 2015)	<ul style="list-style-type: none"> Preliminary Recommendations Paper on policy proposals for change CAFII Response to Preliminary Recommendations Paper 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 Proposed Revised Financial Institutions Act released for consultation CAFII submission on proposed revised FIA <i>Meeting with Ministry of Finance officials, if necessary</i> 	<ul style="list-style-type: none"> Released March 19/18 June 19/18 April 4/19 Released June 10, 2019 July 24/19 <u>Q4 2019 (expected)</u> Q4 2019 (expected) Q3 or Q4 2019 	<ul style="list-style-type: none"> Joint Market Conduct/Licensing Committee; Co-EDs to monitor
AMF Sound Commercial Practices Guideline Update	<ul style="list-style-type: none"> 2018 "update" consultation announced by L. Gauthier AMF releases consultation document CAFII submission on updated Sound Commercial Practices Guideline 	<ul style="list-style-type: none"> May 3/18 Q3 2019 (expected) Q3 or Q4 2019 	<ul style="list-style-type: none"> Market Conduct Cttee; Co-EDs to monitor
Quebec Bill 141 and Related Regulations	<ul style="list-style-type: none"> CAFII submission on Bills 141 and 150 to National Assembly Committee National Assembly passes Bill 141 (certain Bill 150 provisions included) AMF releases Regulation Respecting Alternative Distribution Methods (RADM) CAFII submission on Regulations Supporting Bill 141 AMF Response to Feedback on RADM Implementation/In-Force Period for RADM (varies by Article/Chapter) 	<ul style="list-style-type: none"> January 16, 2018 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"> Joint Mkt Conduct/Licensing Committee; Co-EDs to monitor
CCIR/CISRO Guidance: Conduct of Insurance Business and Fair Treatment of Customers	<ul style="list-style-type: none"> CCIR 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 <u>Meeting with CCIR/CISRO Working Group re Guidance implementation</u> 	<ul style="list-style-type: none"> September 27, 2018 November 28, 2018 March 27, 2019 <u>Deferred from June 27/19 to Fall 2019</u> 	<ul style="list-style-type: none"> Market Conduct Cttee; Co-EDs to monitor
CCIR Review of Travel Health Insurance	<ul style="list-style-type: none"> CCIR Travel Health Insurance Products Position Paper Released Follow-up meetings with TIWG re travel insurance data collection Pan-Industry Meeting with TIWG re travel insurance data collection (CAFII, CLHIA, and THIA) 	<ul style="list-style-type: none"> May 31, 2017 Oct. 24 & Dec. 5, 2018 May 17, 2019 	<ul style="list-style-type: none"> EOC; Co-EDs to monitor
SK Bill 177	<ul style="list-style-type: none"> CAFII submission on The Insurance Amendment Regulations, 2018 FCAA delays implementation of new Act and Regulations to Jan 1/20 FCAA releases transition-related Guidance and Interpretation Bulletin 	<ul style="list-style-type: none"> September 14, 2018 November 26, 2018 May 17, 2019 	<ul style="list-style-type: none"> Market Conduct Cttee; Co-EDs to monitor
FCNB Insurance Act Rewrite and Introduction of RIA Regime	<ul style="list-style-type: none"> CAFII Meeting with David Weir and Jennifer Sutherland Green, FCNB in Fredericton <u>CAFII submission on FCNB Licensing of Insurance Adjusters and Damage Appraisers Consultation</u> 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 <u>July 2/19</u> Q3 2019 (expected) Q3 or Q4 2019 	<ul style="list-style-type: none"> Licensing Committee; Co-EDs to monitor

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

July 5, 2019

Insurance Council of British Columbia
Suite 300, 1040 West Georgia St., PO Box 7
Vancouver, British Columbia
V6E 4H1
Attention: Brett Thibault, Director, Governance and Stakeholder Engagement
feedback@insurancecouncilofbc.com

Re: Consultation on Updated Guidance for New Life Agent Supervision Requirement

Dear Mr. Thibault:

CAFII commends the Insurance Council of BC for undertaking this consultation and we appreciate the invitation to comment on the issues set out in the paper.

As you may recall, creditor's group insurance and travel insurance are the areas of predominant focus for CAFII as an Association. Those are the product lines through which CAFII members offer simple, convenient insurance solutions for British Columbians and other Canadians through a variety of distribution channels.

That being the case, the subject matter of this consultation, enhancements to Council's *New Life Agent Supervision Requirement*, is somewhat out-of-scope for CAFII, given that sales of creditor's group insurance are exempt from licensing under BC's *Insurance Licensing Exemptions Regulation* and travel insurance sales in the province fall under a separate and distinct licensing regime.

However, we have chosen to make a brief submission and to focus our feedback and input on a select number of points raised in the consultation paper which we view as germane to our Association and its members.

Background

While CAFII agrees that the "inconsistent levels of oversight" by supervisors which Council has observed in its ongoing reviews falls short of reasonable regulatory expectations and that an Updated Guidance and more rigorous overall Supervision Requirement therefore seem warranted, we must qualify our agreement with the following cautionary considerations:

- there are life insurers of various sizes and operating models doing business in BC, all of which provide comprehensive support to their new life and accident & sickness agents including training programs and coaches who deliver direct support; and these companies also have in place a monitored and enforced code of conduct and strong oversight of their new agents. For those companies, the Updated Guidance duplicates many internal measures already in place while creating new documentation/filing compliance obligations; and
- Council should pause and consider whether the instances of inconsistent levels of oversight it observed were so prevalent that a supervision requirement infused with additional obligations should be imposed upon the entire industry.

Or, alternatively, whether dealing individually, on a case-by-case basis, with organizations which fall short of Council's expectations would be a better "finding the right balance" approach -- one which supports business efficiency and effectiveness through the avoidance of additional regulatory burden upon all industry players and ultimately enhances consumer protection by allowing businesses to focus their resources on optimizing the consumer's experience and satisfaction.

Definition Of "New Life Agent"

CAFII supports the Insurance Council's definition of a "New Life Agent" as set out in the *Updated Guidance On The Supervision Requirement For New Life and/or Accident & Sickness Insurance Agents*. In particular, we appreciate the following provisions within the definition:

- licensing within another Canadian jurisdiction will be taken into account when considering the amount of time for which a New Life Agent has been licensed; and
- Council will permit the use on a non-resident supervisor, so long as the non-resident supervisor meets the stated requirements and currently holds an active licence in British Columbia.

Those two provisions within the New Life Agent definition stem from a progressive and forward-looking policy position in BC; and they support a goal of which CAFII has been a strong proponent: a nationally harmonized system of mutual/reciprocal recognition for insurance licensing. Ideally, if a life insurance agent is duly licensed in one jurisdiction, that licence should be recognized by other Canadian jurisdictions under a nationally harmonized system of mutual/reciprocal recognition, with no further local requirements imposed, other than registration and fee payments.

In that connection, our Association has long advocated for interjurisdictional harmonization and the benefits it produces for both consumers, in terms of improved customer experience and satisfaction; and for businesses, in terms of facilitating efficiency and effectiveness and reducing regulatory burden which can stifle innovation.

CAFII also supports the New Life Agent definition's stipulation that an exception to the 24 months mandatory supervision requirement may be allowed where an applicant or new Life Agent holds a current Chartered Life Underwriter, Certified Financial Planner, or Registered Financial Planner designation; and that, in such cases, the period of mandatory supervision may be reduced by up to 12 months, upon application/request.

We view that professional designations provision as a beneficial form of credential/prior learning equivalency recognition which will provide helpful flexibility, without compromising consumer protection.

Each of the above-noted New Life Agent definition provisions also align British Columbia well with the *Canadian Free Trade Agreement (CFTA)*, which stipulates that individuals with recognized skills and qualifications should be able to work in their field in any jurisdiction in Canada, without undue impediment.

The Supervisor

CAFII appreciates the flexibility being built into the requirements to serve as a qualified supervisor, through the following provisions:

- the relevant experience to qualify as a supervisor can come from any Canadian jurisdiction (supports a nationally harmonized system of mutual/reciprocal recognition); and
- Council will consider exceptions to the minimum five years' experience requirement where an applicant to be a qualified supervisor can demonstrate alternate, relevant experience and/or education (it's important that an avenue is being provided for flexibility on this minimum experience requirement, especially with respect to different business models and distribution channels).

The Supervisor's Responsibilities

CAFII is of the view that the level of responsibilities and time investment required of a supervisor under the Updated Guidance requirements could limit the pool of experienced agents willing to take on the role. We support the notion that the number of new agents being supervised by any one individual should be reasonably limited. But we caution that by adding a further layer of compliance burden upon those who might be willing to serve as a supervisor, the proposed new requirements will create a disincentive for agents to take on the supervisor role.

New Life and/or A&S Agent Supervision Undertaking Form (Updated Form: Mandatory)

We have no specific comments or feedback on this form.

Supervision Period: Confirmation Of Completion (New Form: Mandatory)

With a view to minimizing regulatory burden, CAFII believes that there is a compelling argument to be made that this new *Confirmation of Completion Form* should only have to be submitted in those cases where a supervisor feels that an agent should not be granted an unrestricted licence.

Supervision Process Review Statement (New Form: Recommended)

We have no specific comments or feedback on this form.

Conclusion

CAFII appreciates the opportunity to comment on this important Insurance Council of BC consultation initiative, and we look forward to continued communication with and input to Council on related regulatory policy matters.

We would be pleased to meet with you, Mr. Thibault, and/or other Insurance Council representatives to discuss our feedback in more detail. Should you wish to arrange a meeting for that purpose, please contact Brendan Wycks, Co-Executive Director, at brendan.wycks@cafii.com or 647-218-8243.

Sincerely,



Martin Boyle
Board Secretary and Chair, Executive Operations Committee

ABOUT CAFII

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

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

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

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

July 5, 2019

Insurance Council of British Columbia
Suite 300, 1040 West Georgia St., PO Box 7
Vancouver, British Columbia
V6E 4H1
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Agenda Item 2(e)
July 23/19 EOC Teleconference Meeting

How are artificial intelligence-led innovation, blockchain, customer self-service, enterprise content development, and other technology trends reshaping the travel health insurance industry?

Join us for the first **THiA Innovation Summit**, a one-day event that **brings together technology and travel health insurance Movers, Shakers, and Doers** to share their experiences, predictions and their aspirations for the next wave of technological advancement in our industry.

Register today to reserve your early bird price! Price increases after July 5th.

Early bird, members – \$175; Summit + AGM – \$250

Early bird, non-members – \$225

[**REGISTER NOW**](#)

Regular, members – \$225; Summit + AGM – \$300

Regular, non-members – \$275

Last Minute (members, non-members) – \$300; Summit + AGM – \$375

On-site (members, non-members) – \$400; Summit + AGM – \$475

Early bird ends July 5th

Regular ends August 9th

Last Minute ends Aug 30th

Date:

September 9th, 2019

9AM – 7PM

Location:

2nd Floor Events

461 King Street West

Toronto, ON

Canada M5V 1K4

** 2nd Floor is located in a heritage building and therefore is not wheelchair accessible. There are no wheelchair washrooms on site.

9:00 – 9:30: Breakfast & Opening Remarks (by Brad Dance, THiA President)

9:30 – 10:45: Keynote Speaker

10:45 – 11:05: Morning break

11:05 – 12:05: Panel Discussion – Consumer-Facing Technology Issues.
Moderated by Elliott Draga.

12:05 – 1:05: Lunch

1:05 – 1:50: Andrew Lo – Current trends in technology applicable to travel
insurance

1:50 – 2:40: Industry Insights – Food for thought. Data-driven presentations from
3 experts

2:40 – 3:00: Afternoon break

3:00 – 4:00: Product Pitches – 4 technology product pitches

4:00 – 5:00: Panel Discussion – Industry Facing Technology Issues

5:00 – 7:00: Networking Cocktail Reception

2019 THiA AGM & Golf Tournament

September 10, 2019, 8:00 AM - 6:00 PM

THIA's Annual General Meeting will be held on Tuesday, September 10th, 2019 at the **Richmond Hill Golf Club** at 8903 Bathurst Street in Richmond Hill (just north of Hwy 7 and 407), Ontario.

This year's event will consist of a half-day business agenda and lunch, followed by an optional golf tournament.

As always, the AGM will address emerging issues in our industry and THIA's committees will expand on the updates provided at the Santa Monica conference in the spring.

The AGM will also include an election for the position of treasurer, currently occupied by Kimberly Winkworth, and the position of secretary, currently held by Mindy Tarantelli. If you are interested in seeking election to either position, nominations will be held from the floor. Please be sure to have a seconder available if you choose to run.

Registration is \$90.00. Golf is an additional \$125.00.

Members who are attending both the Innovation Summit on September 9th and the AGM on September 10th are eligible for combination pricing.

If you are golfing, we will coordinate foursomes with you separately.

AGENDA

8:00 AM – 9 AM -- Coffee & Registration

9:00 AM – 9:10 AM -- President's Welcome

9:10 AM – 9:20 AM -- Treasurer's Report

9:20 AM – 10:00 AM --Committee Updates

- 20/20 Task Force
- Communications Committee
- Claims Committee
- Regulatory Affairs Committee

10:00 AM – 10:50 AM -- Guest Speaker (TBC)

10:50 AM – 11:00 AM -- Nominations & Voting: President and Vice-President

11:00 AM – 11:15 AM -- Coffee Break

11:15 AM – 11:20 AM -- Election Results

11:20 AM – 11:55 AM -- Committee Updates

- Visitors to Canada Committee
- Conference Committee
- Technology Committee
- Education Committee

11:55 AM – 12:00 PM -- Closing Remarks

The business portion of the day will conclude at noon, followed by the lunch, then optional golf or networking.

Please note, there are no refunds available after August 31st, 2019.

Agenda Item 2(f)
July 23/19 EOC Teleconference Meeting

From: AMF | Autorité des marchés financiers <info.courriel@lautorite.qc.ca>

Date: July 12, 2019 at 1:39:24 PM EDT

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

Subject: Notez cette date à votre agenda!

Reply-To: AMF | Autorité des marchés financiers <info.courriel@lautorite.qc.ca>

[Visionner dans votre navigateur](#)



Notez cette date à votre agenda!

Le **Rendez-vous avec l'Autorité** aura lieu au Palais des congrès de Montréal, le **25 novembre 2019**.

La programmation et le formulaire d'inscription suivront prochainement.

Au plaisir de vous y rencontrer!

[Ajouter à mon agenda](#)

CAFII

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

Statement of Operations As at June 30, 2019

	Current Month	Budget Jun-19	Variance to Monthly Budget	Current YTD	Budget '19 YTD	Variance Budget to YTD	Budget 2019
Revenue							
Membership Dues	\$61,422	\$61,422	\$0	\$366,532	\$368,532	(\$2,000)	\$737,064
Luncheon Revenue	\$0	\$0	\$0	\$195	\$195	\$0	\$195
Interest Revenue	\$95	\$3	\$92	\$218	\$15	\$203	\$33
TOTAL REVENUE	\$61,517	\$61,425	\$92	\$366,945	\$368,742	(\$1,797)	\$737,292
Expenses							
Management Fees	\$38,083	\$40,167	\$2,084	\$236,629	\$241,000	\$4,371	\$482,000
CAFI Legal Fees/Corporate Governan	\$0	\$0	\$0	\$0	\$1,000	\$1,000	\$1,000
Audit Fees	\$1,217	\$1,217	\$0	\$7,501	\$7,302	(\$199)	\$14,600
Insurance	\$449	\$458	\$9	\$2,646	\$2,748	\$102	\$5,500
Website Ongoing Maintenance	\$1,600	\$283	(\$1,317)	\$2,923	\$2,130	(\$793)	\$5,330
Telephone/Fax/Internet	\$702	\$483	(\$219)	\$3,483	\$2,898	(\$585)	\$5,800
Postage/Courier	\$0	\$33	\$33	\$109	\$198	\$89	\$400
Office Expenses	\$216	\$166	(\$50)	\$1,231	\$996	(\$235)	\$2,000
Bank Charges	\$0	\$4	\$4	\$0	\$24	\$24	\$50
Miscellaneous Expenses	\$0	\$42	\$42	\$0	\$252	\$252	\$500
Depreciation Computer/Office Equipm	\$95	\$100	\$5	\$568	\$600	\$32	\$1,200
Board/EOC/AGM							
Annual Members Lunch	\$0	\$0	\$0	\$12,052	\$12,089	\$37	\$12,089
Board Hosting (External)	\$0	\$7,500	\$7,500	\$6,363	\$15,000	\$8,637	\$30,000
Board/EOC/Meeting Expenses	\$2,451	\$2,600	\$149	\$29,147	\$15,600	(\$13,547)	\$26,000
Industry Events	\$0	\$1,300	\$1,300	\$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	2,451	11,400	8,949	49,755	46,182	- 3,573	71,582
Provincial Regulatory Visits	\$221	\$0	(\$221)	\$4,391	\$8,000	\$3,609	\$12,000
Research/Studies	\$514	\$0	(\$514)	\$2,310	\$2,000	(\$310)	\$5,000
Website SEO and Enhancements	\$2,472	\$3,333	\$861	\$4,732	\$20,000	\$15,268	\$40,000
Regulatory Model(s)	\$0	\$5,000	\$5,000	\$3,643	\$10,000	\$6,357	\$25,000
Federal Financial Reform	\$0	\$0	\$0	\$0	\$0	\$0	\$500
Media Outreach	\$5,644	\$2,917	(\$2,728)	\$19,243	\$17,500	(\$1,743)	\$35,000
Marketing Collateral	\$0	\$1,000	\$1,000	\$444	\$4,000	\$3,556	\$5,000
Speaker fees & travel	\$0	\$700	\$700	\$1,194	\$1,400	\$206	\$2,000
Gifts	\$0	\$150	\$150	\$0	\$300	\$300	\$500
Networking Events	\$0	\$150	\$150	\$0	\$300	\$300	\$500
Sub Total Networking & Events	-	1,000	1,000	1,194	2,000	806	3,000
TOTAL EXPENSE	53,663	67,603	13,939	340,802	368,830	28,028	715,462
NET INCOME	7,854	- 6,178	14,032	26,144	- 88	26,232	21,830

Explanatory Notes:

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

411 Richmond Street E, Suite 200
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CAFIL Operations			CCBPI Project			Combined		
30-Jun 2019	31-May 2019	31-Dec 2018	30-Jun 2019	31-May 2019	31-Dec 2018	30-Jun 2019	30-May 2019	31-Dec 2018
\$204,697	\$254,484	\$193,381	\$0	\$57,893	\$0	\$204,697	\$312,377	\$193,381
\$218	\$123	\$0	\$205,257	\$147,364	\$0	\$205,475	\$147,487	\$0
\$4,800	\$4,995	\$0	\$0	\$0	\$0	\$4,800	\$4,995	\$0
20,828	21,966	2,197	\$0	\$0	\$0	\$20,828	\$21,966	\$2,197
\$8,014	\$8,014	\$8,014	\$0	\$0	\$0	\$8,014	\$8,014	\$8,014
(\$5,174)	(\$5,079)	(\$4,605)	\$0	\$0	\$0	(\$5,174)	(\$5,079)	(\$4,605)
\$233,383	\$284,503	\$198,986	\$205,257	\$205,257	\$0	\$438,640	\$489,760	\$198,986
\$233,383	\$284,503	\$198,986	\$205,257	\$205,257	\$0	\$438,640	\$489,760	\$198,986
\$7,302	\$7,085	\$18,409	\$89,632	\$0	\$0	\$96,934	\$7,085	\$18,409
\$10,937	\$8,706	\$10,379	\$0	\$0	\$0	\$10,937	\$8,706	\$10,379
\$18,802	\$80,224	\$0	\$115,625	\$205,257	\$0	\$134,427	\$285,481	\$0
\$37,041	\$96,015	\$28,788	\$205,257	\$205,257	\$0	\$242,298	\$301,272	\$28,788
\$37,041	\$96,015	\$28,788	\$205,257	\$205,257	\$0	\$242,298	\$301,272	\$28,788
\$170,198	\$170,198	\$180,447	\$0	\$0	\$0	\$170,198	\$170,198	\$180,447
\$26,144	\$18,289	(\$10,248)	\$0	\$0	\$0	\$26,144	\$18,289	(\$10,248)
\$196,342	\$188,488	\$170,198	\$0	\$0	\$0	\$196,342	\$188,488	\$170,198
\$196,342	\$188,488	\$170,198	\$0	\$0	\$0	\$196,342	\$188,488	\$170,198
\$233,383	\$284,503	\$198,986	\$205,257	\$205,257	\$0	\$438,640	\$489,760	\$198,986

CCBPI initiative

Time value of consulting services
incurred to date (25 June 2019)
\$89,631.54 (\$79,319.95 plus HST)

CAFII

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Membership Fees As At June 30th, 2019

	<u>Jan-18</u>		<u>Jul-18</u>	
	<u>To be billed</u>	<u>Received</u>	<u>To be billed</u>	<u>Received</u>
BMO Bank of Montreal	\$ 36,719.00	14-Mar-19	\$ 36,719.00	
CIBC Insurance	\$ 36,719.00	28-Feb-19	\$ 36,719.00	
RBC Insurance	\$ 36,719.00	25-Feb-19	\$ 36,719.00	
ScotiaLife Financial	\$ 36,719.00	11-Feb-19	\$ 36,719.00	11-Jul-19
TD Insurance	\$ 36,719.00	11-Feb-19	\$ 36,719.00	
Desjardins Financial Security Life Assurance Company	\$ 36,719.00	8-Apr-19	\$ 36,719.00	
AMEX Bank of Canada				
Assurant Solutions	\$ 18,360.00	12-Feb-19	\$ 18,359.00	4-Jul-19
Canadian Premier Life Insurance Company	\$ 18,360.00	23-May-19	\$ 18,359.00	
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	
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			

2019 CAFII Budget

	2016 Actual	2017 Actuals	2018 Actuals	2019 Budget Revised	2019 Revised Budget (Apr 2019)	2019 YTD (June 30)	2019 Revised Forecast	Comment/Rationale
Revenue								
Membership Dues	\$435,750	\$475,425	\$695,545	\$757,904	\$737,064	\$366,532	\$734,664	See breakdown in Member Dues Revenue Tab
Luncheon 2019	\$231	\$126	\$0	\$0	\$195	\$195	\$195	
Interest	\$231	\$126	\$0	\$0	\$33	\$218	\$360	Interest from the Savings Account
TOTAL REVENUE	\$ 436,212	\$ 475,677	\$ 695,545	\$ 757,904	\$ 737,292	\$ 366,945	\$ 735,219	
EXPENSE								
Management Fees	\$279,042	\$442,012	\$460,299.15	\$482,000	\$482,000	\$236,629	\$482,000	Includes MM Fees (3% increase) and two Co-Eds (3% increase)
CAFII Legal Fees/Corporate Governance	\$10,565	\$2,954	\$563	\$1,000	\$1,000	\$0	\$0	
Audit Fees	\$13,560	\$14,271	\$14,432	\$14,600	\$14,600	\$7,501	\$14,803	Same as 2018 Budget
Insurance	\$5,238	\$5,238	\$5,258	\$5,500	\$5,500	\$2,646	\$5,338	Same as 2018 Budget
Website Ongoing Maintenance	\$13,060	\$42,575	\$6,461	\$5,330	\$5,330	\$2,923	\$5,330	Includes CG Technology (\$250 per month), Translation (\$400), Domain (\$30) & CAFII Insurance Domain Name Renewal (\$999 USD)
Telephone/Fax/Internet	\$3,538	\$6,119	\$5,939	\$5,800	\$5,800	\$3,483	\$5,000	Same as 2018 Budget
Postage/Courier	\$180	\$380	\$458	\$400	\$400	\$109	\$250	Same as 2018 Budget
Office Expenses	\$5,257	\$1,312	\$2,423	\$2,000	\$2,000	\$1,231	\$2,000	Same as 2018 Budget
Bank Charges	\$25	\$38	\$23	\$50	\$50	\$0	\$25	Same as 2018 Budget
Amortization Expense	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Depreciation Computer/Office Equipment	\$467	\$1,564	\$1,136	\$1,200	\$1,200	\$568	\$1,136	Same as 2018 Budget
Miscellaneous Expense		\$433	\$0	\$500	\$500	\$0	\$500	Same as 2018 Budget
Board/EOC/AGM								
Annual Members Luncheon	\$12,044	\$10,247	\$10,503	\$12,000	\$12,089	\$12,052	\$12,052	Increase to \$12,000 to cover costs
Board Hosting (External)	\$19,407	\$7,500	\$19,515	\$30,000	\$30,000	\$6,363	\$30,000	Four events at \$7,500
Board/EOC Meeting Expenses	\$8,145	\$25,493	\$20,715	\$26,000	\$26,000	\$29,147	\$39,696	Same as 2018 Budget
Industry Events		\$36	\$1,270	\$1,300	\$1,300	\$0	\$1,300	CAFII Purchase of full table of 11 seats at Economic Club of Canada Luncheon
EOC Annual Appreciation Dinner	\$2,079	\$8	\$763	\$800	\$2,193	\$2,193	\$2,193	Same as 2018 Budget
Total Board/EOC/AGM	\$41,675	\$43,284	\$52,766	\$70,100	\$71,582	\$49,755	\$85,241	
Provincial Regulatory Visits	\$10,395	\$11,011	\$11,230	\$12,000	\$12,000	\$4,391	\$12,000	Same as 2018 Budget
Research/Studies	\$1,356	\$17,807	\$77,345	\$60,000	\$5,000	\$2,310	\$5,000	Pollara Proposal on Creditor's insurance research
Website SEO and Enhancements			\$21,702	\$40,000	\$40,000	\$4,732	\$39,550	Continuing enhancements including videos
Regulatory Model(s)	\$0	\$15,001	\$6,490	\$25,000	\$25,000	\$3,643	\$25,000	Includes provision for legal advice re RIA representation on Sask, Alta, Manitoba; possible new RIA regime in BC; new single integrated regulators in Ontario and Alta; and additional provision re Regulations supporting Quebec Bills 141 and 150
Federal Financial Reform	\$0	\$0	\$0	\$500	\$500	\$0	\$500	Same as 2018 Budget
Media Outreach	\$27,408	\$44,023	\$38,522	\$35,000	\$35,000	\$19,243	\$35,000	Includes Media Consultant's Monthly Retainer (\$2,260.00 per month)
Marketing Collateral	\$1,781	\$0	\$557	\$5,000	\$5,000	\$444	\$5,000	
Tactical Communications Strategy	\$446	\$379	\$0	\$0	\$0	\$0	\$0	
CAFII Reception Events		\$500	\$0	\$0	\$0	\$0	\$0	
Media Relations	\$0	\$164	\$0	\$0	\$0	\$0	\$0	
Speaker fees & travel		\$0	\$191	\$2,000	\$2,000	\$1,194	\$2,000	Same as 2018 Budget
Gifts	\$221	\$452	\$0	\$500	\$500	\$0	\$500	Same as 2018 Budget
CAFII 25th Anniversary Celebration (Formerly CAFII 20th Anniversary Celebration)		\$26,495	\$0	\$0	\$0	\$0	\$0	Deferred to 2022
Networking Events		\$350	\$0	\$500	\$500	\$0	\$500	Same as 2018 Budget
TOTAL EXPENSE	\$ 414,214	\$ 675,862	\$ 705,793	\$ 768,980	\$ 715,462	\$ 340,801	\$ 726,674	
Excess of Revenue over Expenses	\$21,998	(\$200,185)	(\$10,248)	(\$11,076)	\$21,830	\$26,144	\$8,545	
Unrestricted Net Assets (beginning of year)	\$358,991	\$380,758	\$180,447	\$170,198	\$159,122	\$170,198	\$159,122	
Unrestricted Net Assets (end of year)	\$380,989	\$180,573	\$170,198	\$159,122	\$180,952	\$196,342	\$167,667	

Explanatory Notes:

- (1) Assumes Two Co-Executive Directors, one @ 5 days per week; one @ 4.5 days per week; plus Managing Matters Admin support
- (2) Amortization of office equipment based on 4 year straight line depreciation

Actual/Forecasted Financial Reserves	2016 Actual	2017 Actuals	2018 Actuals	2019 Budget	2019 Revised Budget (Apr 2019)	2019 Revised Forecast
Minimum 3 months (25%) of Annual Operating Expenses =	\$103,554	\$168,965	\$176,448	\$192,245	\$178,865	\$181,668
Maximum 6 months (50%) of Annual Operating Expenses =	\$207,107	\$337,931	\$352,897	\$384,490	\$357,731	\$363,337
Actual/Forecasted Level of Financial Reserves :	\$380,758	\$180,573	\$170,198	\$159,122	\$180,952	\$167,667
Actual/Forecasted Level of Financial Reserves %:	92%	27%	24%	21%	25%	23%

8 July, 2019

Nancy Meagher
Superintendent of Insurance, Yukon
Community Services
PO Box 2703, Whitehorse, Yukon Y1A 2C6
insurance.plra@gov.yk.ca <insurance.plra@gov.yk.ca>
Nancy.Meagher@gov.yk.ca

**Re: Your Recent Licence Renewal Letter To Insurers Issuing A Prohibition On The Enrollment of
Consumers in Credit Protection Insurance in Yukon**

Dear Ms. Meagher,

Congratulations on your recent appointment as Superintendent of Insurance in Yukon.

My name is Keith Martin and I am Co-Executive Director of the Canadian Association of Financial Institutions in Insurance (CAFII), 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. Our members are both insurance company underwriters and financial institution distributors of credit protection insurance. (Appendix C contains a full list of our members.)

CAFII believes consumers are best served when they have meaningful choice in the purchase of insurance products and services. 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 and our members have a long history of working collaboratively with regulators and policy-makers to ensure that Canadians are offered simple, accessible, and affordable credit protection and travel insurance solutions.

I am writing to you on behalf of our members to express CAFII's concerns about your letter of 28 June, 2019 to several of our members, which indicated that Yukon's class of licence dealing with credit protection insurance would not be renewed; and that enrollment in these policies was to cease effective 30 June, 2019.

We were surprised by that decision and are concerned that the approach taken is a stronger action than necessary to deal with the underlying issue. We want to work with you to understand your concerns fully and to address them in an expeditious manner, from a thorough, comprehensive, big picture perspective.

Above all, we are concerned with the decision to terminate, even temporarily, the opportunity for Yukon consumers to choose to enroll in credit protection insurance coverage because it will deprive them of a simple, accessible, and affordable insurance option, thereby potentially putting individuals and families at risk.

We understand that your letter was prompted by an application for a licence renewal which included "credit protection insurance." We also understand that a licence had been previously issued which included "credit protection insurance" as a class of insurance listed on the licence. We recognize that in reviewing the licence renewal application, you discovered that "credit protection insurance" is not a class of insurance under the Yukon Insurance Act. Your letter of 28 June, 2019 denies the licence for the class of credit protection insurance, but goes further by prohibiting the enrollment of Yukoners in credit protection group insurance, effective 30 June, 2019.

We appreciate that your office has concluded that it does not have the legislative basis to issue a licence for "credit protection insurance" at this time. However, we believe that the products being offered by CAFII members should be considered within the scope of the classes of life and of accident and sickness insurance. As such, we believe that our members should not be required to discontinue offering credit protection insurance coverage to Yukon consumers, even temporarily.

Please see Appendix A below for elaboration of the many reasons why CAFII believes that the cessation approach chosen to deal with what appears to have been a decades-in-existence administrative oversight is problematic; and what the potential consequences could be for both Yukon consumers and the industry. Among the concerns we detail in Appendix A are:

- **Denying Yukoners Credit Protection Insurance Coverage:** CAFII-commissioned research by Pollara Strategic Insights found that of those who purchased credit protection insurance, "71% do not know what they would do without CPI, should something happen to them and/or their family." Due to the order to no longer enroll consumers in credit protection group insurance until further notice, Yukoners would effectively be denied the opportunity to protect themselves and their families from a catastrophic financial loss related to a major debt obligation, such as a mortgage on a home, if an unforeseen life event were to occur.

- **Appropriate Timelines to Implement Decisions:** CAFII members are large and complex organizations, and a two-day timeline to implement a decision that will require changes to coding and procedures is simply not possible.
- **Consistency and Harmonization:** Yukon is now no longer consistent with every other jurisdiction in Canada, each of which allows consumers to be enrolled in credit protection insurance.
- **The Importance of Consultation:** Because of the technical complexity of insurance, and the fast-paced changes facing the industry generally, we believe that better regulatory outcomes are achieved for all stakeholders when there is consultation and dialogue prior to a major regulatory decision being taken.
- **The Importance of a Principles-Based Regulatory Approaches:** We are concerned this decision was rules-based, rather than being rooted in a principles-based approach focused on the regulatory outcome desired; and, in particular, we note that a class of Yukoners – those who purchase a mortgage or debt instrument between 1 July, 2019 and whenever the legislative gap is resolved – will be denied the opportunity to purchase insurance that could protect them from significant financial risk.
- **Distribution Methods:** The 28 June, 2019 letter was sent to insurers, but those who actually enroll consumers in credit protection insurance – and who therefore have primary responsibility for implementing this decision – are distributors (typically financial institutions such as a bank, a credit unions, or a mortgage broker), adding to the complexity of implementing this order.
- **Clarity around Definitions:** The letter says that “...effective June 30, 2019 credit protection policies can no longer be sold in Yukon,” but it is not clear if this applies to all credit protection insurance offerings (life, critical illness, disability, job loss) or only to one or a sub-set of those types of creditor’s group insurance.

Based on the background rationale and arguments set out in Appendix A, CAFII respectfully requests that Yukon re-consider the order to cease allowing enrollment in credit protection insurance policies issued in your letter of 28 June, 2019. We urge you to consider more measured alternative solutions which can achieve the same objective, without denying Yukoners access to simple, convenient, affordable life, disability, critical illness, and job loss insurance that covers their major debt obligations against an unforeseen event that could lead to a catastrophic financial loss; and without putting businesses in the credit protection insurance sector in an untenably difficult situation.

We understand your concern that there is a potential legislative gap in Yukon’s *Insurance Act*, but we believe that the Act does indeed provide an avenue which covers credit protection insurance; and that there are also other alternatives available which can provide legislative coverage on a temporary basis, until such time as the necessary amendments can be made to the legislation. We have suggested such possible alternative approaches for your consideration in Appendix B of this letter.

As a general principle, however, since the Yukon Insurance Act does indeed define “creditors group insurance,” it is our view that the legislation must have intended that such products could be sold in the Yukon, even if there was a technical error or oversight when the clauses on the specific classes of insurance were drafted. Therefore, we respectfully urge you to take a broad interpretation of the legislation, so as not to prevent Yukoners from having the opportunity to purchase insurance that they might need. Credit protection group insurance has been sold for decades in Yukon without regulatory concerns; and the cessation order is not in relation to any product deficiency or market conduct concern. Whatever mechanism is found to resolve this issue, we believe that it is important for Yukoners to have access to all insurance solutions; and, in that connection, we very much want to work collaboratively with you and your office to find a speedy resolution to this problem.

CAFII thanks you, in advance, for your attention to the issues raised and the alternative solutions proposed in this letter. I would like to answer any questions you may have and discuss these matters more fully with you, and in that connection **I request the opportunity to speak to you on the phone as soon as possible.** Given the importance and urgency of this matter to CAFII members, **I would also be very willing to travel to Whitehorse to discuss these matters with you and your colleagues.**

With respect,

A handwritten signature in dark ink, reading "Keith Martin", enclosed within a large, hand-drawn oval.

Keith Martin, Co-Executive Director, CAFII
647.460.7725

Appendix A—Concerns with the Decision from Yukon Superintendent of Insurance to Not Allow Consumers to Enroll for Credit Protection Insurance in Yukon

#1 Denying Yukoners Credit Protection Insurance Coverage.

Credit protection insurance is meant to be simple and convenient, and as such provides an important layer of insurance coverage to consumers who may not otherwise have access to insurance. Research has found that Canadians are vastly underinsured, and this is particularly true for lower- and middle-income Canadians, who are offered fewer products by the broker or advice channel since they tend to focus their efforts on wealthier Canadians who purchase larger policies. CAFII-commissioned research by Pollara Strategic Insights found that of those who purchased credit protection insurance, “71% do not know what they would do without CPI, should something happen to them and/or their family.” Due to the order to cease enrolling consumers in credit protection group insurance until further notice, Yukoners would effectively be denied the opportunity to protect themselves and their families from a catastrophic financial loss related to a major debt obligation, such as a mortgage on a home, if an unforeseen life event were to occur.

#2 Appropriate Timelines to Implement Decisions.

It is important to give the industry time to adjust to regulatory decisions. CAFII members are large and complex organizations, operating in a national environment. Generally, we ask that regulatory changes provide a minimum six months for implementation, and preferably a transition period of one year or longer.

While CAFII members are regulated provincially and territorially, they offer many of their products nationally, through a variety of means including in physical locations such as branches; through call centres; and online. For example, a Yukoner can purchase credit insurance from some of our members online without the intervention of a person. To implement your office’s edict that credit protection insurance cannot be sold in Yukon, some of our members will need to implement new logic in their online sites prohibiting the sale of credit insurance to someone who indicates they are from Yukon. As with any online change, these changes need to be developed, tested, and implemented rigorously. In a similar vein, call centres need to be able to identify that a caller is from Yukon and have processes in place, either automated or manual, to not sell this product to a Yukoner. For branch sales, system changes need to be developed and tested to prevent sales via the branch systems. As I am sure you can appreciate, these are not simple procedures to implement and it is simply not possible for CAFII members to implement such a decision in two days.

#3 Consistency and Harmonization.

Because our members are national organizations that are provincially and territorially regulated, nationally harmonized and consistent regulatory approaches are critically important to them. We work closely with the Canadian Council of Insurance Regulators (CCIR) in the pursuit of such consistency. Credit protection insurance is widely accepted as a convenient and simple way for consumers to purchase insurance, and every province and territory in Canada allows for the sale of this coverage. For Yukon to now become an outlier produces a two-tier system that is complex for our members to manage, is inefficient, and removes options to purchase insurance for Yukon residents.

Along with consistency, harmonization among regulators is critical to a well-functioning regulatory system. This is another fundamental principle that we work on diligently with the CCIR and provincial and territorial regulators. Revoking CAFII members' ability to sell credit protection insurance, when there is no other Canadian jurisdiction where this is the case, produces an inconsistency in the marketplace that fundamentally contradicts this important principle of harmonization.

#4 The Importance of Consultation.

Because our members operate in a complex and fast-changing marketplace, which they are fully immersed in with a deep level of expertise across their organizations, we believe that it is in the interests of Canadian consumers, regulators, and the broader Canadian economy for any regulatory decisions to be made after a full and thorough consultation with the industry. This allows regulatory authorities, their government policy-makers, and the industry to share information with each other; and it allows for the industry to be able to share its expert advice; suggest, where appropriate, alternative ways for the regulator to achieve its objectives; and to outline all the implications and consequences of a decision. It also gives the industry time to prepare for the implementation of a change. We fully recognize and appreciate that the regulator is the ultimate decision-maker and that we are obligated to comply with whatever decision is taken, but we believe that consultations produce better regulatory outcomes for all concerned.

#5 Principles-Based Regulatory Approaches.

We strongly support a principles-based regulatory approach, which is focused on the outcomes of the regulatory activity. This is also an approach advocated by the CCIR. With the approach taken by Yukon, the decision taken will result in credit protection insurance being available to consumers who enrolled in it prior to 30 June, 2019, and to those who enroll in it after the legislative gap is ultimately addressed, while those who take on a mortgage or other debt obligation between 1 July, 2019 and the date the legislative gap is resolved will be denied the opportunity to enroll in credit protection insurance. This action does not eliminate any risks to the citizens of Yukon, but disadvantages a subset of the populace. It is a rules-based approach that is opposite to the principles-based regulatory approach that the CCIR advocates for.

#6 Sale of Credit Protection Insurance—Distribution Methods.

The letter in question, received by some CAFII members, states that “...effective June 30, 2019 credit protection policies can no longer be sold in Yukon.” However, the recipients of that letter are generally the underwriters or manufacturers of this insurance, but not the sellers of it. Credit protection insurance provides insurance in the event of a life event, such as death, disability, critical illness, or job loss, against a specific debt obligation. For example, when taking out a mortgage, a consumer can purchase credit protection life insurance against the mortgage, so that if they die the mortgage (up to the limit set out in the certificate of insurance) is paid off. As such, this insurance is typically purchased at the time the mortgage, HELOC, loan etc. is taken out, with the enrollment completed by the distributor (a bank, a credit union, or a mortgage broker) offering the loan instrument. This element of credit protection insurance makes implementation of your decision even more challenging, as it will need to be put in place not by the companies you have sent the letter to, but by their distributors who actually enroll consumers in the credit protection insurance coverage.

#7 Clarity about Definitions.

Credit protection insurance can be associated with mortgages, home equity lines of credit (HELOCs), loans, and credit card balances. The insurance can provide coverage in the event of a set of life events, such as death, disability, critical illness, or job loss. Your letter says “...credit protection policies can no longer be sold in Yukon” but “credit protection policies” is not defined. Are you prohibiting the sale of all forms of credit protection insurance? Does this apply to life, disability, critical illness, and job loss? We also hasten to add that if this decision applies to some but not all of these products, that adds additional complexity because many of our members make credit protection insurance coverage available as a “bundle”—for example, with the purchase of mortgage life insurance, one can also purchase some of the other coverages.

Appendix B: Possible Options that Avoid Prohibiting Enrollment in Credit Protection Insurance

Alternative #1: Further Legal Review and Consideration. We believe that credit protection insurance could be covered under the Life and Accident and Sickness classes of insurance, and for greater clarity Yukon could update its Regulations to include “credit protection insurance.”

We note that “creditor’s group insurance” is a defined term in both Part 5 Life Insurance and Part 7 Accident & Sickness of the Yukon *Insurance Act*. Although the *Insurance Act* may not have a specific class of insurance called “credit protection” insurance,” it most certainly has classes for “life insurance,” “accidental death insurance,” and “sickness insurance.” Therefore, the appropriate class for creditor’s group life insurance may be the class “life insurance” and the appropriate class for creditor’s group disability and critical illness insurance may be the class “sickness insurance.”

CAFII has received a preliminary legal opinion from counsel that these provisions may well provide the necessary legislative coverage. In that case, your office might be able to address your concerns by amending the province’s insurance licence application so that it aligns precisely with the existing defined language and nomenclature of the Yukon *Insurance Act*.

To provide further context, legal counsel has identified the following potentially applicable clauses of the Yukon *Insurance Act*:

Page 63, definition of Creditor’s Group Insurance (in the life insurance section):

“creditor’s group insurance” means insurance effected by a creditor in respect of the lives of the debtors whereby the lives of the debtors are insured severally under a single contract; ...

Page 130, definition of Creditor’s Group Insurance (under the A&S Section):

“creditor’s group insurance” means insurance effected by a creditor whereby the lives or well-being, or the lives and well-being, of a number of the creditor’s debtors are insured severally under a single contract; ...”

Alternative #2: Order in Council / Proclamation. In the event that your legal counsel reaffirms the view that there is a gap in the existing Yukon legislation such that there is not currently legal language allowing for the sale of credit protection insurance, there are alternatives available other than a blanket prohibition on the sale of this coverage.

Among the tools available to the Government of Yukon are the issuance of an Order in Council proclamation to provide temporary coverage until the necessary amendments can be made to the *Insurance Act*. This would be a much less burdensome and intrusive way of temporarily addressing the perceived legislative gap.

Appendix C—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.

22 July, 2019

Stephanie Connolly
Director, Corporate Policy and Consumer Affairs and Acting Superintendent of Insurance, Yukon
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Re: Enrolling Yukoners in Credit Protection Insurance

Dear Ms. Connolly,

I would like to thank you, and your colleague Bradley Rowett, Regulatory Affairs Officer, Government of Yukon, for the very productive conversation we had on 16 July, 2019.

Our discussion focused on resolving the current issue around certain CAFII members who were notified that “credit protection policies can no longer be sold in Yukon.” Based on our conversation, I now understand that the Yukon Government is of the view that our insurance company members who have been issued Life and Accident and Sickness insurance licenses from the Government of Yukon are authorized to underwrite creditor’s group insurance.

To confirm, creditor’s group insurance in the Yukon is underwritten by insurers under the authority of their Life license (for creditor life insurance benefits) and their Accident and Sickness license (for creditor disability, critical illness, hospitalization, and related insurance benefits). As many insurers also underwrite coverage for involuntary loss of employment (job loss) in the territory, this is done under the Life license. Specifically, the class of life insurance in the Yukon includes a promise to pay insurance money “at a set or determinable future time,” which in this case would be the time that the insured person has met the definition of job loss in the certificate of insurance. The industry position on the matter is that where no class of credit protection insurance exists in a jurisdiction (such as is currently the case in the Yukon), creditor’s group insurance is offered under the authority of existing licenses as noted above.

However, the remaining issue is that these products are often offered to customers through distributors, such as a bank or credit union branch, a call centre, or an online portal. Since customers are enrolled by these distributors, the question is whether these distributors are authorized under existing Yukon legislation to complete the enrollment process.

As a starting position, it is important to note that individuals enrolling in creditor's group insurance receive no insurance advice, and are not purchasing an "individual" insurance policy. Rather, they are being enrolled in an existing group insurance policy, and receive a certificate of insurance for their enrollment. The group insurance policy is issued by the licensed insurer to the financial institution which advances the related credit product. The terms of the coverage, including eligibility and premium rates, are negotiated between the licensed insurer and the financial institution lender. The "contract of insurance," therefore, exists between the licensed insurer and the financial institution lender.

As such, it is CAFII's view that the Yukon *Insurance Act* supports the position that persons who facilitate the enrollment of individual group members for coverage under an existing group insurance policy do not have to be licensed as agents, because the activity does not fall within the definition of "agent" under the Yukon *Insurance Act*. We note in that regard Section 233.21 of the *Insurance Act*:

Section 233(21) states:

"Every person who acts as an agent without a licence, or while their licence is suspended, is guilty of an offence." [emphasis added]

Section 1 defines "agent" as:

"...a person who, for compensation, not being a duly licensed insurance broker or not being a person acting under the authority of subsection 233(15), (16) or (17), solicits insurance on behalf of an insurer, transmits for a person other than the agent an application for or a policy of insurance to or from that insurer, or offers or assumes to act in the negotiation of the insurance or in negotiating its continuance or renewal."

Therefore, an unlicensed person's activity must not fall within the definition of "agent" to avoid violating section 233(21). It is important to consider this analysis in the context of group insurance principles. Group insurance is insurance designed to insure the collective lives of a group of persons who have some relationship to or connection with the group policyholder. It is also important to note that there is only one contract/insurance policy created in a group insurance arrangement – that being the group insurance policy between the insurer and the group policyholder. In the context of creditor's group insurance, the group policy is a contract between the insurer and the creditor (e.g. bank or credit union) or administrator (as group policyholder) covering the individual members of the group (e.g. the customers of the bank or credit union who have taken out a mortgage, line of credit, loan, or credit card).

Although the persons whose lives are insured (borrowers) under the group policy obtain rights in relation to the coverage provided under the group policy, **there is no direct contractual relationship between the insurer and the individual members of the group who are enrolled in the group policy.** The terms and conditions of the group policy are, as noted above, entirely a matter of negotiation between the two contracting parties (the insurer and the financial institution lender as group policyholder).

Applying the definition of “agent” in the context of a group insurance arrangement:

- The group insurance contract is applied for, solicited and placed, and the needs of the group are assessed, at the **insurer/group policyholder level**;
- The group policyholder negotiates the terms of the group policy with the insurer;
- Once the group policy is finalized and in effect, the group policyholder facilitates the enrollment of the individual group members for coverage under the existing contract/group policy terms. **The group policyholder does not provide advice.** However, to ensure individual members of the group are made aware of the details of their insurance coverage under the group policy, the insurer issues, for delivery by the group policyholder, to each individual group member that has opted to enroll for the insurance, documentary evidence of the details of their insurance (the certificate of insurance);
- **Therefore, at the enrolment stage, there is no solicitation or transmittal of an application, or assessment of needs, or negotiation of terms for a policy, because the group policy is already in place.**

As a result, one can reasonably conclude that the activity of facilitating enrolment of individual group members for coverage under an existing group insurance policy does not fall within the definition of “agent” under the Yukon’s *Insurance Act*; and therefore, a group policyholder is not required to be licensed to conduct such activity. I can also confirm that this interpretation is consistent with the established position of insurers in jurisdictions where no licensing or exemption regime specifically addressing creditor’s group insurance has been implemented. In those jurisdictions, the industry position is that no license is required for the distribution of creditor’s group insurance because the person involved in distribution is not “selling or soliciting a policy of insurance” but rather is offering to enroll the customer under the creditor’s group insurance policy that has already been issued to the creditor or administrator of the insurance.

Ms. Connolly, in conclusion, based on our analysis and interpretation of the Yukon *Insurance Act* we are of the view that our insurance company members who received the notice around credit protection insurance should be able to underwrite creditor’s group insurance, and that our distributor members who received the notice or which are impacted by the notice, should be able to enroll customers in creditor’s group insurance without further licensing. We respectfully request your agreement with our concluding statement on this matter and your confirmation that **underwriting and distribution of creditor’s group insurance is permitted in the Yukon so long as the insurer holds valid licenses for Life and Accident and Sickness insurance.**

Thank you again for your collaboration with us on this important file, and we very much look forward to working with you going forward.

With respect,

A handwritten signature in dark ink, reading "Keith Martin", enclosed within a large, hand-drawn oval.

Keith Martin, Co-Executive Director, CAFII
647.460.7725

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.

**Proposal to CAFII Board of Directors on
Credit Protection Insurance Benchmarking Report; and
Related Request For Proposal To Actuarial Firms
10 July 2019**

Background

For a number of years, the Canadian Bankers Association (CBA) has been producing a quarterly benchmarking report on credit protection insurance. The report has been focused on penetration rates for new business and for the existing portfolio, as well as penetration rates by channel. In the past, this quarterly report also captured premium levels, but that part of the analysis was recently discontinued.

On 19 May 2019, the CBA communicated to the eight member bank participants that it would discontinue producing the report altogether after the release of one final quarterly report.

At the 4 June, 2019 CAFII Board meeting, the Board asked the Association's Co-Executive Directors to explore the possibility of taking over the CBA quarterly report. Brendan Wycks and Keith Martin met with the CBA's Aaron Meyers and Alex Ciaparra on 20 June, 2019 to discuss the logistics of a transfer.

Issues

One of the issues to be considered is what is the desired/optimal scope of a periodic/ongoing credit protection insurance benchmarking report under CAFII's own auspices and control. Because the cost of having a third-party actuarial firm conduct the quarterly report will be part of the consideration as to whether CAFII should simply replicate the current CBA report, or instead take advantage of CAFII's assuming control to expand it, the recommendation is that the actuarial firms bidding on the RFP provide costing for three scenarios:

Scenario 1: Replicate the CBA quarterly as it currently exists.

Scenario 2: Add some / all of the additional benchmarking information that was being considered as part of the Credit Card Balance Protection Insurance Special Project.

Scenario 3: Add additional information based on the recommendations in the RFP response from the bidding firms.

Both actuarial firms that we will issue the RFP to (Towers Watson and RSM Canada, both of whom are CAFII Associates), will be asked to cost Scenario 1 as a requirement, and to cost Scenario 2 and Scenario 3 as add-ons.

CAFII management is aware that there was some sensitivity to the information that was initially proposed to be collected in the benchmarking component of the CCBPI Special Project. However, this quarterly credit protection insurance benchmarking report is being considered in a different context, and with more than just CCBPI information being collected. As such, the original data that was considered in the CCBPI Special Project benchmarking component has been included for possible inclusion in this RFP, recognizing that the decision may be to not include some or all of the additional data proposed for collection.

Next Steps

CAFII Board members will be asked to indicate whether they support the approach being proposed. If yes, CAFII Board members will be asked to comment on the RFP.

After comments are received, an NDA will be sent to RSM Canada and to Towers Watson; after receiving a signed copy back, the RFP will be sent to those two firms. A date and time will be set up for presentations to CAFII Board members or surrogates, following which there can be a discussion and decision.

If Board members indicate that they have concerns with the proposed approach or feel that more discussion is needed, an alternative approach is to set up a Special Purpose teleconference call with Board members. That will be determined based on the responses received from Board members.



2019 Benchmarking Creditor Insurance

Insurance on Mortgages, Secured Lines
of Credit and Credit Cards by Channel

CONFIDENTIAL – NOT FOR PUBLIC RELEASE
As at January 31st, 2019

Notice of Confidentiality

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The financial institutions receiving this report agree to maintain this strict confidentiality with respect to the report, copies of the report and extracts of data and/or charts from the report

2018 Benchmarking - Creditor Insurance

Mortgage and Credit Card Channel Distributions

MORTGAGES

Of which: Branch

Life
Dis
CI

Of which: Mortgage Specialists

Life
Dis
CI

Of which: Mortgage Broker

Life
Dis
CI

SECURED LINES OF CREDIT

Life
Dis
CI

CREDIT CARDS

Of which: Branch

Of which: Card Activation

NEW BUSINESS PENETRATION

National

Q1 Q2 Q3 Q4

NOTES:

N

PORTFOLIO PENETRATION

YTD

2018 Benchmarking - Creditor Insurance

Mortgage and Credit Card Channel Distributions

MORTGAGES

Of which: Branch

Life
Dis
CI

Of which: Mortgage Specialists

Life
Dis
CI

Of which: Mortgage Broker

Life
Dis
CI

SECURED LINES OF CREDIT

Life
Dis
CI

CREDIT CARDS

Of which: Branch

Of which: Card Activation

NEW BUSINESS PENETRATION

National

Q1 Q2 Q3 Q4

NOTES:

N

PORTFOLIO PENETRATION

YTD

2018 Benchmarking - Creditor Insurance

Mortgage and Credit Card Channel Distributions

		NEW BUSINESS PENETRATION			
		National			
		Q1	Q2	Q3	Q4
MORTGAGES	Life				
	Of which: Branch				
	Dis				
	CI				
	Life				
	Of which: Mortgage Specialists				
	Dis				
	CI				
	Life				
	Of which: Mortgage Broker				
	Dis				
	CI				
SECURED LINES OF CREDIT	Life				
	Dis				
	CI				
CREDIT CARDS					
	Of which: Branch				
	Of which: Card Activation				

NOTES:

N

PORTFOLIO PENETRATION

YTD

2018 Benchmarking - Creditor Insurance

Mortgage and Credit Card Channel Distributions

MORTGAGES

Of which: Branch

Life
Dis
CI

Of which: Mortgage Specialists

Life
Dis
CI

Of which: Mortgage Broker

Life
Dis
CI

SECURED LINES OF CREDIT

Life
Dis
CI

CREDIT CARDS

Of which: Branch

Of which: Card Activation

NEW BUSINESS PENETRATION

National

Q1 Q2 Q3 Q4

NOTES:

N

PORTFOLIO PENETRATION

YTD

2018 Benchmarking - Creditor Insurance

Mortgage and Credit Card Channel Distributions

		NEW BUSINESS PENETRATION			
		National			
		Q1	Q2	Q3	Q4
MORTGAGES	Life				
	Of which: Branch				
	Dis				
	CI				
	Life				
	Of which: Mortgage Specialists				
	Dis				
	CI				
	Life				
	Of which: Mortgage Broker				
	Dis				
	CI				
SECURED LINES OF CREDIT	Life				
	Dis				
	CI				
CREDIT CARDS					
	Of which: Branch				
	Of which: Card Activation				

NOTES:

N

PORTFOLIO PENETRATION

YTD



2019 Benchmarking Creditor Insurance - Penetration

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As at January 31, 2019

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2018 Benchmarking - Creditor Insurance

		Bank A														
		NEW BUSINESS PENETRATION														
		BC and YK					Prairies (AB, SK, MB, NWT, NU)					ON (All)				
		Q1	Q2	Q3	Q4	YTD	Q1	Q2	Q3	Q4	YTD	Q1	Q2	Q3	Q4	YTD
MORTGAGES	Life															
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PERSONAL LOANS	Life															
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CREDIT LINES	Life															
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BUSINESS LOANS	Life															
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CREDIT CARDS																
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		Q1	Q2	Q3	Q4	YTD	Q1	Q2	Q3	Q4	YTD	Q1	Q2	Q3	Q4	YTD
MORTGAGES	Life															
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PERSONAL LOANS	Life															
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CREDIT LINES	Life															
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	CI															
BUSINESS LOANS	Life															
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CREDIT CARDS																
		NEW BUSINESS PENETRATION					PORTFOLIO PENETRATION									
		Atlantic (NL, NB, NS, PE)					National					National				
		Q1	Q2	Q3	Q4	YTD	Q1	Q2	Q3	Q4	YTD	Q1	Q2	Q3	Q4	YTD
MORTGAGES	Life															
	Dis															
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PERSONAL LOANS	Life															
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BUSINESS LOANS	Life															
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CREDIT CARDS																
OTHER PRODUCTS																

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2018 Benchmarking - Creditor Insurance

		Bank B														
		NEW BUSINESS PENETRATION														
		BC and YK					Prairies (AB, SK, MB, NWT, NU)					ON (All)				
		Q1	Q2	Q3	Q4	YTD	Q1	Q2	Q3	Q4	YTD	Q1	Q2	Q3	Q4	YTD
MORTGAGES	Life															
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PERSONAL LOANS	Life															
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CREDIT LINES	Life															
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BUSINESS LOANS	Life															
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CREDIT CARDS																
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		Q1	Q2	Q3	Q4	YTD	Q1	Q2	Q3	Q4	YTD	Q1	Q2	Q3	Q4	YTD
MORTGAGES	Life															
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PERSONAL LOANS	Life															
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CREDIT LINES	Life															
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BUSINESS LOANS	Life															
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CREDIT CARDS																
		NEW BUSINESS PENETRATION										PORTFOLIO PENETRATION				
		Atlantic (NL, NB, NS, PE)					National					National				
		Q1	Q2	Q3	Q4	YTD	Q1	Q2	Q3	Q4	YTD	Q1	Q2	Q3	Q4	YTD
MORTGAGES	Life															
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PERSONAL LOANS	Life															
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CREDIT LINES	Life															
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CREDIT CARDS																
OTHER PRODUCTS																

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2018 Benchmarking - Creditor Insurance

		Bank C														
		NEW BUSINESS PENETRATION														
		BC and YK					Prairies (AB, SK, MB, NWT, NU)					ON (All)				
		Q1	Q2	Q3	Q4	YTD	Q1	Q2	Q3	Q4	YTD	Q1	Q2	Q3	Q4	YTD
MORTGAGES	Life															
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PERSONAL LOANS	Life															
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MORTGAGES	Life															
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PERSONAL LOANS	Life															
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BUSINESS LOANS	Life															
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CREDIT CARDS																
		NEW BUSINESS PENETRATION					PORTFOLIO PENETRATION									
		Atlantic (NL, NB, NS, PE)					National					National				
		Q1	Q2	Q3	Q4	YTD	Q1	Q2	Q3	Q4	YTD	Q1	Q2	Q3	Q4	YTD
MORTGAGES	Life															
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OTHER PRODUCTS																

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2018 Benchmarking - Creditor Insurance

Bank D

		NEW BUSINESS PENETRATION														
		BC and YK					Prairies (AB, SK, MB, NWT, NU)					ON (All)				
		Q1	Q2	Q3	Q4	YTD	Q1	Q2	Q3	Q4	YTD	Q1	Q2	Q3	Q4	YTD
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PERSONAL LOANS	Life															
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MORTGAGES	Life															
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PERSONAL LOANS	Life															
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CREDIT CARDS																

		NEW BUSINESS PENETRATION					PORTFOLIO PENETRATION									
		Atlantic (NL, NB, NS, PE)					National					National				
		Q1	Q2	Q3	Q4	YTD	Q1	Q2	Q3	Q4	YTD	Q1	Q2	Q3	Q4	YTD
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2018 Benchmarking - Creditor Insurance

Bank E

		NEW BUSINESS PENETRATION														
		BC and YK					Prairies (AB, SK, MB, NWT, NU)					ON (All)				
		Q1	Q2	Q3	Q4	YTD	Q1	Q2	Q3	Q4	YTD	Q1	Q2	Q3	Q4	YTD
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2018 Benchmarking - Creditor Insurance

Bank F

		NEW BUSINESS PENETRATION														
		BC and YK					Prairies (AB, SK, MB, NWT, NU)					ON (All)				
		Q1	Q2	Q3	Q4	YTD	Q1	Q2	Q3	Q4	YTD	Q1	Q2	Q3	Q4	YTD
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2018 Benchmarking - Creditor Insurance

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2018 Benchmarking - Creditor Insurance

		Bank H														
		NEW BUSINESS PENETRATION														
		BC and YK					Prairies (AB, SK, MB, NWT, NU)					ON (All)				
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MORTGAGES	Life															
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BUSINESS LOANS	Life															
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CREDIT CARDS																
OTHER PRODUCTS																

NOTES:

July 24, 2019

Insurance Fees Consultation
Financial Institutions Commission of British Columbia
2800 – 555 West Hastings St.
Vancouver, British Columbia
V6B 4N6
feedback@ficombc.ca
Attention: Frank Chong, Acting Superintendent of Financial Institutions

Re: CAFII Submission on Insurance Fees Consultation Paper, June 2019

Dear Mr. Chong:

CAFII commends the Financial Institutions Commission of BC for undertaking this consultation and we appreciate the invitation to comment on the principles and proposals set out in the paper.

We have aligned our feedback with the sections and sequencing used in the consultation paper, under the following headings: Rationale; Principles for Developing Fees; Proposed Changes to Fee Model and Analysis Against Foundational Principles; and Questions.

Rationale

CAFII supports the stated Rationale for a new fee methodology, given the need to fund the new BC Financial Services Authority (BCFSA) as an independent Crown Corporation and the fact that FICOM's current fee formula has not been reviewed and updated since 1990.

CAFII is pleased that the BC government has committed funding beginning in fiscal year 2019-20 to help with the transition from FICOM to the new BCFSA and to ensure that the regulated sectors are self-funded by fiscal year 2021-22. We view that commitment as a prudent and beneficial measure on the government's part, one which will allow 2020-21 to be treated as a transitional year and help facilitate a smooth change-over to the new fee methodology and full self-funding of BCFSA by the industry in 2021-22 (see related feedback and adjustment recommendation under Proposed Changes to Fee Model and Analysis Against Foundational Principles, p. 2).

Principles for Developing Fees

CAFII supports the five principles articulated as the underpinnings of the proposed fee formula. In particular, our Association is pleased with the commitment that fees will be predictable year-over-year.

We are pleased that "investing in IT infrastructure to support more efficient and user-friendly interactions between insurers and the regulator" has been articulated as a BCFSA Service Commitment, as we view that as a necessary and key modernization initiative for the new regulator to achieve. In that connection, we ask that in designing and building the new IT infrastructure, BCFSA give priority consideration to making it as harmonized and integrated as possible with other Canadian jurisdictions' similar systems: to optimize its efficiency and effectiveness for insurers and for BCFSA, as a CCIR member and participant in its national co-operative market conduct supervision framework.

We also took note of the Transparency commitment that BCFSa “will report on its activities in its annual Service Plan and publish financial statements annually,” as we view such reporting to be a minimum transparency requirement (see related feedback and recommendation under Questions, p. 3).

Proposed Changes to Fee Model and Analysis Against Foundational Principles

CAFII supports the need for a new fee model to fund BCFSa as a modernized, independent, and adequately resourced regulator which exercises its authority under a supervisory framework that is principles/risk-based and aligns with international best practices.

Like FICOM/BCFSa, CAFII regards Fair Treatment of Customers as of paramount importance. We therefore support the new BCFSa’s having strong investigative capabilities under a principles/risk-based supervisory framework that facilitates identifying and dealing with bad actors in the regulated sectors.

The principles/risk-based framework adopted by CCIR several years ago is commendable and produces desired results; it should not be varied from lightly. It allows regulators to allocate resources to the issues or industry players which pose the greatest risk, thereby making best use of their finite resources and their regulation more efficient.

CAFII strongly supports CCIR’s risk-based approach to regulation, including the emphasis on industry self-regulation solutions, which was described as follows by former CCIR Chair Danielle Boulet in her Foreword to the Council’s 2011-2014 Strategic Plan: “We don’t just react – we identify and assess risks first. We focus on the outcomes needed and how to accomplish them, not on rules and forms. We recognize that the best control is self-control, so we work with industry stakeholders to develop industry standards so that all market participants know what is expected of them.”

CAFII recommends that the new BCFSa’s foundational documents and its initial and future strategic plans should contain a commitment to maintain a principles/risk-based approach to its regulatory mandate.

Our Association is generally comfortable with the proposed new formula for calculating the annual fee payable by insurers to support the BCFSa, especially given that it will allow for a high degree of fee predictability year-over-year.

However, that said, we respectfully request that the following adjustment be made with respect to implementation of the new fee formula: the new funding formula proposes a 107.6% average fee increase (more than doubling the current average fee) for extra-provincial insurance corporations, in one fell swoop in 2020-21. Given the magnitude and relative suddenness of that proposed fee increase, CAFII recommends that the proposed new fee model be phased in over a two-year period, at least for extra-provincial insurance corporations, with half of the fee increase being introduced in 2020-21 and the remaining portion of the fee increase being implemented in 2021-22. This phased-in approach should be quite feasible given that the BC government has prudently committed transitional funding to help ensure that the new BCFSa is fully self-funded by the regulated sectors by fiscal year 2021-22.

In addition, we recommend that in finalizing the new fee model, BC should provide precise definitions of what is meant/intended by such key terms as “non-consolidated assets”, “direct premium”, and from what period of time the insurer’s direct premium number is to be derived (recommendation: the insurer’s most recently completed fiscal year).

Questions

With respect to the consultation paper’s question on whether there are any other Service Commitments we would like to see from the BCFSa, CAFII recommends that the new regulator include in its founding principles a higher level of commitment to consultation with the industry and transparency through additional initiatives such as annual “accountability and feedback meetings” between the regulator and industry stakeholder groups on the regulator’s performance, financial situation/stability, and future direction. This would be akin to the consultation and transparency commitment which the new Financial Services Regulatory Authority of Ontario (FSRA) has made to the regulated sectors in Ontario.

Conclusion

CAFII appreciates the opportunity to comment on this important FICOM/BCFSa consultation initiative, and we look forward to continued communication and input on related regulatory policy matters.

We would be pleased to meet with you, Mr. Chong, and/or other FICOM/BCFSa representatives to discuss our feedback in more detail. Should you wish to arrange a meeting for that purpose, please contact Brendan Wycks, Co-Executive Director, at brendan.wycks@cafii.com or 647-218-8243.

Sincerely,

Martin Boyle
Board Secretary and Chair, Executive Operations Committee

ABOUT CAFII

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

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

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

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



Financial
Institutions
Commission

Insurance Fees

Consultation Paper

June 2019

I. Introduction

The Financial Institutions Commission (FICOM) safeguards confidence and stability in British Columbia's (BC) financial sector by protecting consumers from undue loss and unfair market conduct. Under the *Financial Institutions Act* (FIA) and *Insurance Act*, FICOM is tasked with authorizing and regulating insurance companies and extra-provincial insurance corporations operating in BC (hereafter referred to collectively as insurers). FICOM provides both solvency and market conduct oversight of insurers and deals with unlicensed activity in the BC market.

We are asking stakeholders to review and comment on FICOM's proposal for a new regulatory fee structure for the insurance industry in BC. As part of this process, FICOM is launching a consultation to gather industry feedback regarding the proposed fee changes. Instructions for providing input can be found in Section VIII below.

For clarity, the proposed fee changes do not apply to insurance agents, salespeople, and adjusters, who are regulated by the Insurance Council of British Columbia. Changes to the fee structure for Trust companies, Captive Insurance companies or Reciprocal Exchanges that conduct business in BC will be reviewed at a future date.

II. Rationale

The BC Government has passed legislation establishing FICOM as an independent Crown agency to be known as the BC Financial Services Authority (BCFSA) with its own governing Board of Directors.

The BC Government has directed the BCFSA's operations to be self-funded from fees assessed to the financial services entities it regulates. Government has committed funding beginning in FY19/20 to help with the transition and to ensure regulated sectors are self-funded by FY21/22. The BC Government has retained the authority to approve any changes to the existing fee structure for the BCFSA. Therefore, FICOM's consultation to gather industry feedback regarding the proposed fee changes will be included in a submission to Treasury Board requesting approval. Cabinet approval is required to implement fee changes through regulation.

The current fee methodology has been in place since 1990. This has resulted in a situation where collected fees have not kept pace with changes in the Consumer Price Index or increases in the costs of providing adequate oversight to an industry which continues to grow

in size and complexity. To cover the increased cost of regulation and to ensure regulated sectors are self-funded by FY21/22, FICOM is proposing a new regulatory fee structure to maintain and strengthen the regulatory framework for insurance in BC.

III. Regulatory Objectives

The objective of the Superintendent of Financial Institutions is to facilitate and promote an efficient and effective insurance market in BC that protects the rights and interests of British Columbians. The Superintendent achieves those objectives by:

- providing consent for the incorporation or authorization of an insurance company following assessment of the proposed business plan and the financial and management capabilities of the applicant(s);
- providing consent for major transactions such as amalgamations, acquisition or disposition of significant assets, revocations, wind-up, continuance, etc.;
- ongoing monitoring of insurers' solvency and financial stability;
- processing and administering regulatory filings;
- monitoring insurers for any violations of fair business practices such as mis-selling, unfair or misleading contracts, coercive sales tactics, etc.;
- ensuring that no unauthorized insurance business takes place in BC;
- ensuring that no unlicensed insurance agents, adjusters, and salespeople operate in BC;
- providing regulatory advisories (guidance, bulletins etc.); and
- collaborating with other regulators on common issues.

IV. Principles for Developing Fees

In developing fee proposals, FICOM has committed to the following principles:

1. **Simplicity**
 - i. Fees are easy to calculate
 - ii. Fees have a low administrative burden
2. **Fairness**
 - i. Regulated sectors are self-funded
 - ii. Regulatory oversight costs are proportional to business activity and size
 - iii. Common costs are reasonably allocated

3. Service Commitment

- i. Fees support regulatory objectives
- ii. Fees enable the hiring and retention of highly skilled staff
- iii. Fees facilitate investments in IT infrastructure

4. Transparency

- i. Cost data is provided

5. Competitiveness

- i. Fees are predictable year-over-year
- ii. Fees are comparable fees with other Canadian jurisdictions

V. Proposed Changes to Fee Model

The current fee assessment model is based on an insurer's assets, with provincially incorporated insurance companies and extra-provincial insurance corporations subject to a different formula. The fee structure is not easy to understand and is difficult to compare fees between provincially incorporated and extra-provincial insurance corporations. In the nearly four decades since the fee structure was last reviewed, the financial marketplace has become more complex and the scope of regulatory responsibilities has expanded significantly under a risk-based approach. Changes include:

- Increasingly complex cross-provincial border enforcement;
- Emergence of new distribution and marketing schemes;
- Creation on new products and hybrid products;
- Rapid financial technology (fintech) innovation; and
- An increase in cyber risk.

The BCFSa needs to continue to respond to the challenges by:

- Recruiting qualified professionals with financial sector experience to sustain the intensity of its regulatory oversight of BC insurers. FICOM's supervisory framework aligns with international best practices, and is comprised of both continuous monitoring and onsite work that is tailored to the size and risk profile of an insurer;
- Applying appropriate due diligence to new business proposals to ensure the interests of British Columbians are protected; and

- Strengthening the market conduct oversight of all insurers in BC, in response to public expectations and national and international regulatory standards. Investments in investigative and examinations capabilities will proactively identify and address conduct that places consumers at risk

FICOM is proposing a new formula for calculating the annual fee for all insurers. The provincial insurance company annual fee and extraprovincial insurance corporation fee will be combined into one fee for all insurers in recognition that both types of insurers benefit from a well-regulated marketplace. The revised fee will incorporate a new factor - the volume of insurance business each insurer undertakes in BC (premiums written), which is a better proxy for allocating the regulatory oversight costs to each institution.

Fee Name	Current Fees	NEW (2020/21)															
Insurance Company Annual Fees	\$500 + 0.013% of assets less than or equal to \$25 million + 0.01% of assets between \$25 and \$250 million + 0.008% of assets greater than \$250 million	<table><tr><th>Total Non-consolidated Assets</th><th>Annual Fee</th></tr><tr><td>\$100 million or less</td><td>\$5,000 + 0.019% of Direct Premiums in BC</td></tr><tr><td>Greater than \$100 million to \$1 billion</td><td>\$7,500 + 0.019% of Direct Premiums in BC</td></tr><tr><td>Greater than \$1 billion</td><td>\$10,000 + 0.019% of Direct Premiums in BC</td></tr></table>	Total Non-consolidated Assets	Annual Fee	\$100 million or less	\$5,000 + 0.019% of Direct Premiums in BC	Greater than \$100 million to \$1 billion	\$7,500 + 0.019% of Direct Premiums in BC	Greater than \$1 billion	\$10,000 + 0.019% of Direct Premiums in BC							
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Greater than \$1 billion	\$10,000 + 0.019% of Direct Premiums in BC																
Extraprovincial Insurance Corporation Annual Fees	<table><tr><th>Total Non-consolidated Assets</th><th>Annual Fee</th></tr><tr><td>\$5 million or less</td><td>\$1,500</td></tr><tr><td>Greater than \$5 million to \$50 million</td><td>\$2,750</td></tr><tr><td>Greater than \$50 million to \$100 million</td><td>\$3,750</td></tr><tr><td>Greater than \$100 million to \$500 million</td><td>\$4,750</td></tr><tr><td>Greater than \$500 to \$1 billion</td><td>\$5,750</td></tr><tr><td>Greater than \$1 billion to \$5 billion</td><td>\$7,750</td></tr><tr><td>Greater than \$5 billion</td><td>\$9,750 + \$1000 per each \$1 billion over \$5 billion</td></tr></table>	Total Non-consolidated Assets	Annual Fee	\$5 million or less	\$1,500	Greater than \$5 million to \$50 million	\$2,750	Greater than \$50 million to \$100 million	\$3,750	Greater than \$100 million to \$500 million	\$4,750	Greater than \$500 to \$1 billion	\$5,750	Greater than \$1 billion to \$5 billion	\$7,750	Greater than \$5 billion	\$9,750 + \$1000 per each \$1 billion over \$5 billion
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Greater than \$5 billion	\$9,750 + \$1000 per each \$1 billion over \$5 billion																

When exploring alternative methods to calculate a more appropriate fee, FICOM considered a fee based on an insurer's share of total capital (the federal Office of the Superintendent of Financial Institutions (OSFI) uses this approach); however, it was felt that capital, similar to asset size, did not accurately reflect insurance business in the province or premiums written by each insurer.

In the future, the regulator plans to revisit the fees levied on insurers on a more regular basis to ensure that fees are aligned with changes in regulatory costs. Prior to any change to fees, the BCFSa will conduct a public consultation to ensure that stakeholders have an opportunity to present their views to the regulator.

The BCFSa will budget for a modest surplus which would be retained at year-end and reinvested in the program area the following year. The BCFSa will not adjust future year assessments or return fees to insurers in the event of a surplus.

FICOM is aware that the International Financial Reporting Standards (IFRS) 17 standard for insurance contracts would change the way direct premiums are reported by insurers. Until such changes are implemented, direct premiums are the best indicator of an insurer's business activity in the province. The BCFSa will examine the utility of using other reporting metrics once there is more certainty around the implementation date of IFRS 17 in Canada.

VI. Analysis

The proposed fee methodology reflects FICOM's principles for developing fees. In particular:

1. Simplicity

- The fee is easy to calculate. The proposed annual fee is based on a flat fee based on the company's non-consolidated assets plus a percentage of direct premiums written in BC. Insurers already provide these figures for their regulatory filings so there is a low administrative burden for computing the fees. Further, there would be a low administrative burden on the BCFSa to validate the fee amounts.
- The proposed fee model consolidates asset size groupings (from seven to three) for both provincially incorporated and extra-provincial insurance corporations.

2. Fairness

- The value of premiums written in the province is a better proxy than asset size or capital for allocating regulatory oversight costs to each institution since it reflects business activity in BC instead of assets that are located outside of BC and Canada.
- Provincially incorporated and extra-provincial insurance corporations are subject to the same fee model, based on the amount of business conducted in BC.

3. Service Commitment

- Fees generated under the proposed model will support the BCFSa in enhancing its regulatory approach, including:
 - due diligence on approval and authorization that is timely, to facilitate industry expansion in BC, and complete, to proactively protect consumers;
 - continuous alignment with national and international solvency and market conduct regulatory best practices;
 - investing in consumer protection capabilities (investigators, market conduct examiners, consumer education);
 - hiring highly skilled staff with industry experience;
 - investing in IT infrastructure to support more efficient and user-friendly interactions between insurers and the regulator; and,
 - enhancing FICOM's capacity to proactively identify and address risks through improved solvency and market conduct risk analysis;
- The proposed fee increase will minimize the risk of regulatory services being undermined and ineffective from lack of funding.
- A well-regulated marketplace enhances industry's reputation. All insurers have a vested interest in an appropriately resourced regulator overseeing their activities.

4. Transparency

- The BCFSa will report on its activities in its annual Service Plan and publish financial statements annually with the aim of enhancing transparency.
- Fees from the insurance sector have covered a decreasing percentage of costs of regulating the insurance industry over time.
- The Service Commitments outlined above (initiated by FICOM beginning in FY17/18) will require the BCFSa to continue to make strategic investments in people and technology, including additional market conduct capacity and IT

infrastructure that supports regulatory efficiencies and increases the user-experience.

- The historical and projected program costs are provided below:

(all values in \$millions)	FY16/17	FY17/18	FY18/19	FY19/20 Projection	FY20/21 Projection	FY21/22 Projection	FY22/23 Projection
Annual Cost of Insurance Program	\$3.3	\$3.9	\$5.0	\$4.8	\$5.1	\$5.4	\$5.3
- Salaries & Benefits	\$2.2	\$2.8	\$3.7	\$3.2	\$3.8	\$4.0	\$4.0
- Professional & Legal Services	\$0.4	\$0.2	\$0.3	\$0.7	\$0.5	\$0.5	\$0.5
- Other Costs	\$0.7	\$0.9	\$1.0	\$0.9	\$0.8	\$0.9	\$0.8
Costs Recovered Under Current Fees	\$3.3	\$3.3	\$3.4	\$3.4	\$3.4	\$3.4	\$3.5
Net Surplus/(Loss)	\$0	(\$0.6)	(\$1.6)	(\$1.4)	(\$1.7)	(\$2.0)	(\$1.8)
Additional Costs Recovered by New Fee	N/A	N/A	N/A	N/A	\$1.6	\$2.2	\$2.2
Overall Net Surplus/(Loss)	\$0	(\$0.6)	(\$1.6)	(\$1.4)	(\$0.1)	\$0.2	\$0.4
% of Costs Recovered (Current Fee Model)	100%	85%	68%	71%	67%	63%	66%
% of Costs Recovered (Proposed Fee Model)	N/A	N/A	N/A	N/A	98%	104%	108%
Full-Time Equivalents (FTEs)	25	26	34	32	34	35	34

- The increase staffing capacity from FY 16/17 to FY 19/20 is the result of filling previous vacancies. These FTEs were allocated between supervision, approvals, policy, corporate services and market conduct to support the in-year service commitments outlined above.
- Increases in FTEs after FY 19/20 are due in part to FICOM's commitment to support the Canadian Council of Insurance Regulators' cooperative supervisory framework on market conduct. These resource enhancements will benefit all insurers.
- Under the proposed structure the ratio of provincial insurance companies' fees to extra-provincial insurance corporations' fees is only slightly changed, with extra-provincial insurance corporations still contributing the most to the cost of insurance regulation which is in line with their overall market share.

Type of Institution	#	Old Annual Fees			New Annual Fees (2020/21)			Overall Revenue Increase
		Revenue (\$millions)	%	Avg.	Revenue (\$millions)	%	Avg.	
Provincial Insurance Companies	8	\$0.15	6.7	\$18,485	\$0.17	3.9	\$21,662	17.2%
Extra-provincial Insurance Corporations	209	\$2.06	93.3	\$9,853	\$4.28	96.1	\$20,459	107.6%
Total	217	\$2.21*	100.0	\$10,171	\$4.45*	100.0	\$20,504	101.6%

*Revenues exclude insurance council fees

5. Competitiveness

- The proposed annual fees are compared to the fees/assessments of other jurisdictions within Canada below.

Fee	BC current fee (average)	BC new fee (average)	Alberta	Quebec	Federal (OSFI) (approx.)
Insurer Annual Fees	\$10,171	\$20,504	\$12,850	\$53,026	\$163,725

- Note that the cost recovery of different jurisdictions for similar regulatory services is calculated in various ways. Some jurisdictions include automobile rate review services and licensing of insurance agencies (Alberta, Ontario and Quebec) while BC does not. In Ontario, the Financial Services Regulatory Authority (FSRA) has issued a [fee rule](#) that requires approval from the Minister of Finance.
- The Insurance Council of British Columbia will continue to be responsible for determining the fees that apply to insurance agents, adjusters, and salespeople. The Council provides funding to FICOM to support integrated regulation of insurance companies and intermediaries in BC, including FICOM's regulation of unlicensed insurance agent, adjuster, and salesperson activity.

- Most jurisdictions allocate fees according to the proportion of premiums written in their province or jurisdiction. However, the federal government (OSFI) allocates its fees by the capital available and has a special surcharge if the institution is under any remediation action. OSFI's scope of regulation and supervision does not include consumer-related or market conduct issues.

VII. Conclusion

In order to ensure that the BCFSa is adequately funded, changes to the fee structure will need to be implemented for collection starting in the 2020/21 financial year. The proposed revised fee structure will allow the new organization to invest in the necessary capabilities it requires in order to meet its mandate that includes exercising rule-making authority, new fair treatment of consumer expectations, more transparency and the requirement to collect and publish certain financial and risk information. FICOM believes that moving to a structure that sets a variable baseline fee that also incorporates a factor that recognizes the amount of market activity being conducted by an insurer aligns with the principles set out above and also better reflects the fairness to those entities previously not conducting much business in the province but with significant asset sizes. A well-regulated marketplace enhances industry's reputation. All insurers have a vested interest in an appropriately resourced regulator overseeing their activities.

VIII. Questions

Some questions for consideration include:

- Do you have any concerns with the proposed fee schedule?
- Are there any other fee options you would like to be considered?
- Are there any other service commitments you would like to see from the BCFSa?

IX. How to Provide Input

Written comments should be submitted by July 24, 2019, either via email to feedback@ficombc.ca or via mail to:

Insurance Fees Consultation

Financial Institutions Commission

2800-555 West Hastings St.
Vancouver, BC V6B 4N6

A copy of this consultation document can be reviewed online at www.fic.gov.bc.ca.

Responses may be made public. Please note that all submissions received are subject to the *Freedom of Information and Protection of Privacy Act*.

Agenda Item 4.8
June 4/19 Board Meeting

Insights From May 17/19 CAFII Dialogue With Harry James, BC FICOM, Re Industry Funding Of New BC Financial Services Authority (FSA)

Move To New FSA Is About Recruitment, Retention, And Resourcing Needs

On May 17/19, a delegation of CAFII representatives met with Harry James, Senior Regulatory Advisor at BC FICOM, to receive an update on plans for industry “self-funding” of BC’s new Financial Services Authority (FSA) – and independent, arms-length, Crown Corporation which will replace the BC Financial Institutions Commission sometime in 2019.

Mr. James advised that the original intention was that a consultation paper outlining the proposed FSA funding model would have been available by that point in time; however, the paper was not quite yet ready for release. It was agreed, however, that meeting at this time, when Harry was in Toronto, still provided an opportunity for a high-level, initial update on the key issues at play.

Mr. James asserted that the move to a new FSA was less about changing the regulatory model, and more about creating a solution for recruitment, retention, and resourcing issues which had plagued FICOM. Part of the rationale for moving to a new independent, Crown Corporation regulator “self-funded” by the industry is that doing so would free the regulator from restrictions that severely constrain what FICOM can do as a government entity.

The new FSA model, Mr. James indicated, will provide the opportunity to offer better salaries, and address the recruitment and retention issues that have plagued FICOM, which operates which currently operates with a very high employee vacancy rate. He noted that the complexity of the regulatory responsibilities of FICOM, and soon the FSA, require strong talent, especially as an integrated regulator that oversees mortgage brokers, credit unions, insurance, and pension plans.

He explained that FICOM has a CEO (Tara Richards) as well as a government-appointed Commission (Board) that has statutory responsibilities. As such, many of the powers with which the FSA will be imbued are already in existence. The existing FICOM Commission will transfer over to the FSA, if Commissioners wish to retain their positions; and there is existing insurance expertise on the Commission, including Commission Chair Michael Grist (formerly a FICOM staff member) and Commission member Gerry Matier (former Executive Director, Insurance Council of British Columbia).

As a Crown Corporation, Mr. James continued, FSA will have a self-funding model, and this will require a change to the funding formula. In particular, the intention is to move from the current fee structure based on assets to one based on direct written premiums.

Mr. James said that this was a more equitable and sensible approach, because asset size did not represent the extent of business done in B.C., nor the level of market conduct activity or regulatory oversight required.

Mr. James particularly noted that credit unions have likely been overpaying relative to insurers in the current model, and the new model would correct that and result in a fairer approach. He also noted that the Crown Corporation model meant that services that were offered to FICOM by the government, including HR and IT support, would now either have to be paid for or brought in-house, which would create new costs for the FSA.

Currently FICOM's high staff vacancy rate has resulted in end-of-year financial surpluses, which are returned to general government revenue, leading the industry sectors which pay FICOM fees to feel frustrated that they are charged more than needed and not refunded for the surplus.

The intention is to avoid this situation in FSA by having higher staff complements. Currently, the full staff complement for FICOM is 170 employees, and it is expected that will increase modestly (10-20 additional staff) under the FSA. In particular, it is expected that staff resources for thematic regulatory examinations/audits will be increased to 10 to 15 people.

In addition, FICOM's fees have not changed since 1988 and that also needs to be addressed as part of the move to the new FSA.

Mr. James advised that the FSA's self-funded fee model will be a baseline fee charged to all players, along with a "premium escalator" which will be an additional fee based on the premiums collected by business entity from its BC-based business. It is expected that the premium escalator will increase modestly from year-to-year for the first few years of FSA's existence.

Mr. James acknowledged that the FSA's new fee structure will have a "significant impact" on many industry players, especially relative to what they are currently in BC FICOM annual assessments.

With respect to a comparison between Ontario's new Financial Services Regulatory Authority (FSRA) and the new FSA in BC, Mr. James did not feel that FSRA's desire to develop a new culture and replace senior leadership with new people would be replicated in BC. The new FSA would seek to retain most of FICOM's leadership and staff, he said, to avoid loss of knowledge and experience.

A consultation paper on the proposed fee structure for the new FSA should be out soon, with likely a 45-day consultation period, Mr. James advised; coupled with an aggressive timeline for the new FSA to be up and running by September or October 2019.

New Financial Services Authority (FSA) To Replace BC FICOM

The following is an April 5/19 BC media report which provides background and analysis into the BC Ministry of Finance's April 4/19 announcement that legislation had been developed to create a new BC Financial Services Authority (FSA) – and independent, arms-length, self-funded by industry Crown Corporation – to replace the BC Financial Institutions Commission (FICOM):

British Columbia is set to get a new Crown agency that will oversee financial services and regulate the likes of credit unions, mortgage brokers, pension fund managers and trust companies.

Legislation tabled by Minister of Finance Carole James will establish the B.C. Financial Services Authority (FSA), which will replace the Financial Institutions Commission (FICOM).

The change is a result of deficiencies in FICOM found by the Office of the Auditor General of B.C. in 2014, as well as an independent recommendation in 2017.

As a Crown agency, the new FSA will be able to regulate financial services in a more transparent and independent fashion, according to the government.

FSA will be at arm's length to the Ministry of Finance, which will still appoint FSA's Board of directors. As well, the Ministry will provide an annual mandate letter to FSA. The Board will be responsible for appointing a CEO. FICOM's current CEO is Tara Richards, and it's understood a new appointment process will be in place for FSA.

The FSA will be responsible for its own annual reports and may be given rule-making powers.

FICOM's existing mandate is to ensure credit unions and pension plans remain solvent; credit union deposits and non-equity shares are insured; market conduct requirements are respected; and "unsuitable individuals" do not participate in the financial services sector.

Previously, FICOM fell under the direct auspices of the Ministry of Finance. One glaring problem found by the Auditor General was significant vacancy in staff positions because salaries were capped under government rules. The auditor general found 35% of positions were vacant. The commission now reports only 15% of positions are vacant.

As well, the Ministry directly oversees FICOM's budget, funded by industry fees, and any excess funds were returned to the ministry at year end. Now, FSA will be able to set its own parameters and keep excess funds to apply to regulation costs.

The Auditor General also found existing legislation failed to keep up with international industry standards.

Government will also still have the power to alter the two key pieces of legislation that FSA will abide by: the Financial Institutions Act and the Credit Union Incorporation Act. These two Acts have been undergoing a review since 2015 and could provide for rule-making powers under the umbrella of legislation. Those reviews should take place every 10 years. The last reviews were conducted in 2004.

Agenda Item 4(h)
July 23/19 EOC Teleconference Meeting

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

Sent: June-25-19 1:11 PM

Subject: Summary of a Conversation of Interest with Mark White, President and CEO, FSRA

CAFII Board, EOC, and Committee Members:

We would also like to call out a conversation which Brendan Wycks had with Mark White, CEO of the Financial Services Regulatory Authority of Ontario (FSRA), at a **FSRA Launch Party** held yesterday, June 24/19, from 4:00 to 6:00 p.m. in the Davies and Takacs Lobby of the Elgin and Winter Garden Theatre Centre. (This was a small launch celebration arranged by FSRA Board Chair Bryan Davies in a lobby which is jointly named after him (thanks to a past “naming gift donation”) – with about 70 to 80 invitees, mainly internal people from FSRA and the Ontario Ministry of Finance, but also including one or two representatives from each industry stakeholder Association in the sectors which FSRA regulates, including Brendan Wycks and Keith Martin from CAFII.)

Brendan Wycks congratulated Mark White on FSRA’s successful June 10/19 launch, following 13 months of intensive effort since he was hired into the CEO role in May 2018. Mark acknowledged CAFII’s kudos but, in turn, expressed sincere thanks to our Association and other industry stakeholders whose co-operation and support had been instrumental in facilitating FSRA’s formation, ramping up, and launch, particularly through the Industry Advisory Group consultation process. Mark noted that a commitment to listen to and learn from a wide range of stakeholders had been key to getting the new regulator up and running.

In further conversation with Brendan, Mark noted that FSRA places high importance on its leadership role within national co-ordinating bodies, such as CCIR and CISRO within the insurance sector (including by housing the Secretariats to those bodies within FSRA’s Regulatory Co-ordination Branch) and that he and Glen Padassery and Huston Loke, two of his FSRA Executive Vice-Presidents, will be personally involved in those national bodies.

Of particular relevance and interest to CAFII and arising from a recollection reference to a speech which AMF CEO Louis Morisset gave at a “Rencontre Avec L’Autorite” event in Quebec City on May 1/19 (in which Mr. Morisset made some sidebar/digression remarks about some of Quebec’s neighbouring provinces making “frantic efforts” at burden reduction which reminded him of the days immediately preceding the global financial crisis in 2007/08, remarks which Mr. White said he has looked at and believes were aimed mainly at the Ontario Securities Commission but partially at FSRA as well, from a future-oriented perspective), Mark White advised that the CCIR/CISRO Fair Treatment of Consumers Working Group, co-chaired by Louise Gauthier (AMF) of CCIR and Ron Fullan (ICS) of CISRO, had recently indicated that it planned to communicate to industry stakeholders that it intended to take a strong focus on “incentives management” in its quarterly meetings with them in the immediate future, as well as in insurer audit inspections, etc.

When FSRA, as a member of the CCIR/CISRO FTC Working Group, was asked to approve of and sign off on “incentives management” being a key immediate initiative, Mark continued, its response was along these lines (slight paraphrase of Mark’s statement): “Yes, we’re comfortable with incentives management being the key immediate focus of the CCIR/CISRO FTC Working Group, but only if it’s done properly, in a principles-based way. We’re okay with an FTC focus on incentives management if it stems from the starting point of a standards/best practices-based document and then focuses on gaps where there is evidence that industry players are diverging and falling short of those standards and best practices. However, we would not be comfortable with and cannot support an approach where the FTC Working Group just forges ahead with a blanket, shotgun approach to incentives management. It has to be done under a principles-based, targeted approach.”

Mark advised that that was his/FSRA’s input to the CCIR/CISRO FTC Working Group as it was finalizing its agenda and plans for meetings with industry stakeholder groups on June 26 and June 27 in Toronto.

Brendan advised Mark that in the late afternoon of Friday, June 24, CAFII received a notification from CCIR Policy Manager Tony Toy that the CCIR/CISRO FTC Working Group’s meetings with industry stakeholders scheduled for June 26 and 27 would now be postponed to the Fall “due to a last minute conflict that has arisen.” Mark advised that that postponement decision was news to him.

At that point, both Mark White and Brendan Wycks realized and collectively acknowledged that the reason for the postponement of the June 26 and 27 stakeholder meetings with the CCIR/CISRO FTC Working Group was likely not because of the sudden unavailability of a key member of the Working Group but rather because of FSRA’s opposition to the FTC Working Group’s plans to launch a blanket, shotgun approach-based incentives management initiative. Mark asserted that differences of opinion such as this, which had given rise to a prudent postponement, would likely be resolved within a short period of time through dialogue among CCIR and CISRO members.

As the discussion concluded, Mark mentioned (with no prompting from Brendan) that he had noticed around CCIR/CISRO meeting tables, particularly given that the AMF currently chairs CCIR and its representatives also lead many key committees and Working Groups at CCIR, a tendency to “charge into” a regulatory initiative, in a sometimes reactionary way, rather than taking a more considered, principles-based, measured, and goals-focused approach. Mark indicated that one of the ways in which FSRA can add value at the national co-ordinating bodies -- for the benefit of both consumers and the industry by identifying and insisting upon the right balance -- is by serving as a bulwark of sober second thought and as a buffer against tendencies to take somewhat reactionary, non-principles-based, blanket approaches to regulatory issues.

Following his conversation with Mark White, Brendan Wycks was left with the impression that the inference recently made in both CAFII EOC and Board meeting discussions – that FSRA had the makings of a “different type of regulator” which would likely cause some sparks and dynamic tension around the national co-ordinating bodies such as CCIR and CISRO – appears to have been prescient.

Keith Martin

Co-Executive Director / Co-Directeur général

Canadian Association of Financial Institutions in Insurance

25 July, 2019

Ms. Judith Robertson
Incoming Commissioner, Financial Consumer Agency of Canada (FCAC)
427 Laurier Avenue West, 6th Floor
Ottawa ON K1R 1B9

Dear Ms. Robertson:

The Canadian Association of Financial Institutions in Insurance (CAFII) extends hearty congratulations on your recent appointment as Commissioner of Financial Consumer Agency of Canada (FCAC) and best wishes for much success in that critically important regulator CEO role.

We applaud Finance Minister Morneau's selection decision, as your strong background as a Commissioner/Board member with financial services regulatory organizations coupled with your extensive private sector leadership experience constitute an ideal background for leading the FCAC through the vitally important next phase in its mandate as regulator of federally regulated financial institutions (FRFIs).

The FCAC is a key regulator for CAFII and its members, as underwriters and distributors of creditor's group insurance and travel insurance as "Authorized Insurance Products" – through banks and federally incorporated credit unions – under the federal Bank Act and the related Insurance Business (Banks and Bank Holding Companies) Regulations (IBBRs).

Our Association has therefore had regular liaison and dialogue with the FCAC over the years, including those meetings set out in Appendix A to this letter for your information.

In that connection, a secondary purpose of this letter is to advise that CAFII would like to arrange a get-acquainted and dialogue meeting with you and other FCAC staff executive colleagues, as appropriate, sometime this Fall after you have had time to settle into your new role as Commissioner.

Given that the Minister's announcement of your appointment indicated that your start date as Commissioner would be 19 August, 2019, we will therefore follow-up with your office in late September, with a view to arranging a meeting with you and key team members sometime in October or November at the Agency's Ottawa office. We would like to secure a meeting of approximately 90 minutes duration. In that meeting, in addition to exchanging get acquainted information and having an update dialogue on regulatory matters of mutual interest, CAFII would like to make a brief overview presentation on the Authorized Insurance Products which our members offer to consumers, and also share the results of recent research conducted by Pollara Strategic Insights (which is also FSRA's polling/survey research provider) on consumers' experiences and satisfaction with credit protection insurance and travel health insurance.

Sincerely,

Keith Martin, Co-Executive Director, CAFII
647.460.7725

Brendan Wycks, Co-Executive Director, CAFII
647.218.8243

Appendix A

Recent CAFII Meetings and Interactions With Financial Consumer Agency of Canada (FCAC)

As At July 2019

- January 2011: CAFII presentation to FCAC staff on “Fundamentals of Creditor’s Group Insurance” at FCAC office in Ottawa.
- January 9, 2014: Get re-acquainted/refresh meeting between FCAC Consumer Education Officers Michael Olson and Karen Morgan and CAFII representatives Brendan Wycks, Executive Director, and Moira Gill, Executive Operations Committee member from TD Insurance, at FCAC office in Ottawa
- February 28, 2014: CAFII makes response submission on FCAC consultation on proposed development and implementation of a comprehensive financial consumer code
- June 10, 2014: CAFII Reception event with Brigitte Goulard, FCAC Deputy Commissioner, as guest speaker, at One King West Hotel, Toronto
- February 10, 2015: CAFII Annual Members’ Luncheon with Jane Rooney, Canada’s National Financial Literacy Leader at FCAC, as guest speaker, at Arcadian Loft, Toronto
- May 1, 2015: CAFII Executive Director Brendan Wycks introduces himself to FCAC Commissioner Lucie Tedesco, and they have a get acquainted chat following her FCAC Update presentation at CLHIA Compliance and Consumer Complaints Conference in Quebec City
- June 12, 2018: CAFII purchases a table for Economic Club of Canada luncheon with Lucie Tedesco, FCAC Commissioner, as guest speaker, at Royal York Hotel, Toronto. CAFII Co-Executive Directors Brendan Wycks and Keith Martin chat with Lucie Tedesco and Brigitte Goulard, Deputy Commissioner, following Ms. Tedesco’s presentation focused on the May 2018 FCAC “Domestic Bank Retail Sales Practices Review” Report
- September 14, 2018: FCAC Presentation and Dialogue Meeting (focused on CAFII-relevant insights arising from the May 2018 FCAC “Domestic Bank Retail Sales Practices Review” Report) between Brigitte Goulard, Deputy Commissioner, and CAFII Board of Directors and Executive Operations Committee members, at CIBC Insurance, Toronto
- March/April 2019: CAFII makes response submissions on FCAC’s proposed “Credit or Loan Insurance” and “Credit Card Balance Insurance” consumer education materials (website content)

Appendix B

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.

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

- Monday, October 21/19 (likely federal election day in Canada): fly to Winnipeg in late afternoon or early evening.
- 1. Tuesday, October 22/19, Winnipeg:
 - 9:30 a.m. to 11:30 a.m. (tentative): meeting with Insurance Council of Manitoba Executive Director Barbara Palace Churchill, other ICM staff executives, and Council members/ISI Committee Members, as appropriate (with Superintendent of Insurance and other FIRB staff also attending, if joint/combined meeting is desired).
 - 12 Noon to 1:30 p.m.: lunch for CAFII delegation at Winnipeg restaurant.
 - 1:45 to 3:00 p.m. (tentative): meeting with Superintendent of Insurance Scott Moore and other FIRB staff executives (if joint/combined meeting with ICM is not possible/optimal).
 - 3:30 to 4:30 p.m. (tentative): meeting with Deputy Minister of Finance and/or other Ministry officials with oversight responsibility for life and health insurance policy-making.
- Tuesday evening, October 22/19: fly from Winnipeg to Regina.
- 2. Wednesday, October 23/19, Regina:
 - 9:30 a.m. to 11:00 a.m. (tentative): meeting with Saskatchewan Superintendent of Insurance Roger Sobotkiewicz; Jan Seibel, Director, Insurance and Real Estate Division, Financial and Consumer Affairs Authority; and other FCAA staff executives, as appropriate.
 - 11:30 a.m. to 1:00 p.m.: lunch for CAFII delegation at Regina restaurant.
 - 1:15 to 3:00 p.m. liaison meeting with Ron Fullan, Executive Director; April Stadnek, Director, Strategic Initiatives; other ICS staff; and Life Insurance Council members, as appropriate.
 - 3:30 to 4:30 p.m. (tentative): meeting with Deputy Minister of Justice and Attorney General and/or other Ministry of Justice officials, responsible for oversight of FCAA and insurance policy development in Saskatchewan.
- Wednesday evening, October 23/19: fly from Regina to Edmonton
- 3. Thursday, October 24/19, Edmonton:
 - 9:30 to 10:45 a.m. (tentative): meeting with Darren Hedley, Assistant Deputy Minister, Financial Sector Regulation and Policy and Superintendent of Insurance; David Sorensen, Deputy Superintendent of Insurance; Laurie Balfour, Director, Financial Compliance, Insurance Regulation and Market Conduct Branch; and Wayne Maday, Director, Insurance Policy, Alberta Treasury Board and Ministry of Finance, at Ministry's Edmonton office.
 - 11:00 a.m. to 12 Noon (tentative): meeting with Grant Hunter, Associate Minister of Red Tape Reduction and/or associated Alberta Treasury Board and Finance officials.

-12:15 to 1:45 p.m.: lunch for CAFII delegation at Edmonton restaurant.

-2:00 to 4:00 p.m.: meeting with Joanne Abram, CEO, and Alberta Insurance Council staff at AIC's Edmonton office.

- Thursday evening, October 24/19: fly from Edmonton to Vancouver.

4. Friday, October 25/19, Vancouver:

-9:30 to 11:30 a.m. (tentative): meeting with Janet Sinclair, Executive Director, Insurance Council of BC; other Insurance Council staff executives; and Insurance Council members, as appropriate.

-12 Noon to 1:30 p.m.: lunch for CAFII delegation at Vancouver restaurant.

-2:00 to 3:15 p.m.: meeting with Lori Wanamaker, Deputy Minister of Finance; and BC Ministry of Finance staff executives Kari Toovey, Brian Dillon, and Elizabeth Cole (if back from leave) re policy change recommendations emerging from 10-Year Review of Financial Institutions Act, at Vancouver office of BC Financial Services Authority.

-3:30 to 4:45 p.m. (tentative): meeting with CEO of BCFSa (if appointed), and BCFSa staff executives Frank Chong, Chris Carter, Michael McTavish, Lorena Dimma, and Harry James, at BCFSa Vancouver office.

- Friday evening, October 25/19: fly from Vancouver to home cities*.

possible dinner meeting in Vancouver for small CAFII delegation with Nancy Meagher, Yukon Superintendent of Insurance