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

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CAFII Executive Operations Teleconference Committee Meeting

Date:	Tuesday, June 25, 2019	**Time:**	2:00 – 3:30 p.m. EST
Location:	Teleconference Only	**Dial-in:**	416-477-0921 / 1-888-543-2249
Chair:	M. Boyle	**Pin #:**	1500

<u>Agenda</u>

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 May 28, 2019 EOC Meeting			✔
b. Draft Minutes of June 4, 2019 Board Meeting			
c. Regulatory Update			
d. Consultations/Submissions Timetable			✔
e. Report on May 31/19 Fasken Insurance Regulatory Law Update			✔ (2)
f. Report on June 11/19 FCNB Consumer Protection Conference			✔
3. CAFII Financial Management and Governance Matters — 2:05 p.m.			
a. Financial Statements as at May 31, 2019	T. Pergola	Update	✔
b. 2019 Fiscal Year Forecast As At May 31, 2019	T. Pergola	Update	✔
c. Implementation of Stikeman Elliott Recommendations Re CAFII Compliance With Competition Bureau's Guidance For Trade Associations	B. Wycks/K. Martin	Update	✔
d. Feedback Survey on CAFII EOC Meeting Performance	K. Martin	Update	
e. Confirmation of July 23/19 and August 13/19 EOC Teleconference-Only Meetings	M. Boyle	Update	
f. 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. Outcomes of June 4/19 CAFII Board *In Camera* Discussion RE CCBPI Special Project	M. Boyle	Update	
(i)CCBPI Industry Practices and Standards Initiative, Including EOC Working Group	M. Boyle/K. Martin	Discussion	
b. CAFII's Taking Over Of Quarterly CGI Benchmarking Study From CBA	K. Martin/B. Wycks		✔
c. Strategy Around June 27/19 CAFII Meeting With CCIR/CISRO FTC Working Group	B. Wycks/K. Martin	Update	✔
d. Possible CAFII Submission On Year 4 Changes To CCIR Annual Statement on Market Conduct	M. Boyle/ B. Wycks	Discussion	✔
e. AMF Spousal Coverage Issue: New Developments	B. Wycks/K. Martin	Update	
f. CAFII Pursuit of "Creditor Insurance Education and Dialogue Meeting" With FCAC Executives	B. Wycks/ K. Martin	Update	
g. Media and Public Release of Pollara Consumer Research Results on CPI on Mortgages/HELOCs	K. Martin	Update	✔ (6)
h. Presentation of Pollara Consumer Research Results on CPI to FSRA, AMF, FCAC	K. Martin	Update	
i. CAFII Website Enhancements, Including New Videos and Consumer Vignettes	K. Martin	Update	
j. Proposal Re Use of Member-Supplied Consumer Testimonials On CPI On CAFII Website	K. Martin/ P. Thorn	Discussion	✔
k. BC "Insurance Fees Consultation" On Industry Funding Of New Financial Services Authority	B. Wycks	Update	✔
l. BC Insurance Council Consultation On Updated Guidance For New Life Agent Supervision	B. Wycks	Update	✔
m. Possible "Soft Launch" Of RIA Advisory Committee In Saskatchewan	B. Wycks/K. Martin	Update	✔
n. FCNB Plans To Develop An RIA Licensing Regime In New Brunswick, Including Changing	M. Gill/B. Wycks	Update	✔
Nomenclature/Terminology To "Incidental Sellers of Insurance Licensing Regime"		Update	✔
o. FCNB Informal Consultation On "Insurance Licensing Exemptions"	B. Wycks	Update	✔
p. FCNB Consultation On "Licensing Of Insurance Adjusters and Damage Appraisers"	B. Wycks	Update	
q. FSRA Launch As Ontario's New Financial Services Regulator	K. Martin B. Wycks/K. Martin	Update	
r. CAFII Membership and Associate Status-Related Matters	B. Wycks/K. Martin		
(i)RankHigher Application For CAFII Associate Status		Approval	✔
(ii)Proposal To Enhance The Benefits/Value Proposition Of CAFII Associate Status		Discussion	✔
(iii)Proposal To Create A New Category Of CAFII Membership		Discussion	✔
s. Dates for CAFII Fall 2019 CAFII Western Canada Insurance Regulators and Policy-Makers Visits Tour	B. Wycks	Update	✔
t. CAFII/CLHIA Joint Development of Template for Replacement of Distribution Guide in Quebec	K. Martin	Discussion	

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5. Other Business **3:20 p.m.**			
6. Tracking Issues a. BC 10-Year Review of Financial Institutions Act b. FCNB Insurance Act Rewrite; and Linked Plan To Introduce An RIA Regime c. AMF Consultation on Updating Sound Commercial Practices Guideline d. Alberta Government Plans to Create a Single Financial Services Regulator e. FCAC: Phase 2 of Domestic Bank Retail Sales Practices Review			

Next EOC Meeting: Tuesday, July 23/19, 2:00 – 3:30 p.m., (Teleconference Only) 416.477.0921 / 1.888.543.2449/ Participant Code: 1500

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

June 20, 2019

CAFII Consultations/Submissions Timetable 2019-20

Regulatory Issue	Deliverable	Deadline	Accountable
BC Ministry of Finance 10-Year Review of FIA (Initial Public Consultation Paper released June 2, 2015)	• Preliminary Recommendations Paper on policy proposals for change • CAFII Response to Preliminary Recommendations Paper • Proposed Revised Financial Institutions Act released for consultation • **CAFII submission on proposed revised FIA** • Ministry announces FICOM transition into Financial Services Authority (FSA) • **FICOM-led Consultation on Self-Funding of FSA, a Crown Corporation** • **CAFII submission on Self-Funding of BC's FSA** • *Meeting with Ministry of Finance officials, if necessary*	• Released March 19/18 • **June 19/18** • Q3 2019 (expected) • **Q3 2019** • April 4/19 • Released June 10, 2019 • **Q3 2019 (July 24, 2019)** • *Q3 or Q4 2019*	• Joint Market Conduct/ Licensing Committee; Co-EDs to monitor
AMF Sound Commercial Practices Guideline Update	• 2018 "update" consultation announced by L. Gauthier • AMF releases consultation document • **CAFII submission on updated Sound Commercial Practices Guideline**	• May 3/18 • Q3 2019 (expected) • **Q3 or Q4 2019**	• Market Conduct Cttee; Co-EDs to monitor
Quebec Bill 141 and Related Regulations	• 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)	• January 16, 2018 • June 2018 • October 10, 2018 • December 10, 2018 • April 17/19 • June 13/19: Chapter 2; June 13/20: Chapter 3	• Joint Mkt Conduct/ Licensing Committee; Co-EDs to monitor
CCIR/CISRO Guidance: Conduct of Insurance Business and Fair Treatment of Customers	• 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 • *Meeting with CCIR/CISRO Working Group re Guidance implementation*	• September 27, 2018 • November 28, 2018 • March 27, 2019 • *June 27, 2019*	• Market Conduct Cttee; Co-EDs to monitor
CCIR Review of Travel Health Insurance	• 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) • **Opportunity to provide feedback on Year 4 changes to CCIR ASMC, including inclusion of travel health insurance data**	• May 31, 2017 • Oct. 24 & Dec. 5, 2018 • May 17, 2019 • **July 12, 2019**	• EOC; Co-EDs to monitor
SK Bill 177	• 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	• September 14, 2018 • November 26, 2018 • May 17, 2019	• Market Conduct Cttee; Co-EDs to monitor
FCNB Insurance Act Rewrite and Introduction of RIA Regime	• **CAFII submission on FCNB informal Consultation on Licensing Exemptions** • **CAFII submission on FCNB formal consultation on licensing of insurance adjusters and damage appraisers** • FCNB launches industry consultation on RIA licensing regime model • CAFII Meeting with David Weir, FCNB in Fredericton • **CAFII submissions on FCNB's Insurance Act Rewrite and RIA Regime**	• **July 2, 2019** • **July 2, 2019** • *Q3 2019 (expected)* • June 11, 2019 • **Q3 or Q4 2019**	• Licensing Committee; Co-EDs to monitor

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

Insurance Law and Regulation Update

May 31, 2019

Guest Speakers:

Mark E. White
Financial Services
Regulatory Authority
of Ontario

Huston Loke
Financial Services
Regulatory Authority
of Ontario

Speakers:

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Financial Services Regulatory Authority of Ontario

A Progress Update on FSRA

Fasken Institute – Insurance Law and Regulation Update

Mark White, Chief Executive Officer

Huston Loke, EVP, Market Conduct

May 31, 2019

Ontario

Financial Services Regulatory Authority of Ontario

Topics

- Why reform: FSCO to FSRA
- Sectors we regulate
- Areas of focus
- New strategic focus
- Working with industry
- Year 1 priorities
- Questions and answers

FSRA
Financial Services Regulatory Authority of Ontario

Why Reform?

"With financial services and pensions sectors changing at a rapid pace… **Ontario needs a regulatory authority that is flexible, innovative, and in possession of expertise** appropriate to match the consistently evolving financial environment. We call not for amendments, revisions or improvements to the existing regulatory framework and apparatus, but **for the replacement of the current regulatory structure and approach with a more nimble and accountable one** …"

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Regulatory Scope

When operational, FSRA will regulate:

Sector	Regulatory Focus
Property and Casualty Insurance	Auto rate regulation, conduct and prudential supervision
Life and Health Insurance	Conduct and prudential supervision
Credit Unions and Caisses Populaires	Conduct and prudential supervision, including deposit insurance
Loan and Trust Companies	Conduct
Mortgage Brokers	Conduct (mortgagor and investor perspectives)
Health Service Providers	Conduct in auto insurance service provision
Pensions	Conduct and prudential supervision, including pension benefits guarantee fund

Legislative Mandate - General

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- Regulate and generally supervise the regulated sectors
- Contribute to public confidence in the regulated sectors
- Monitor and evaluate developments and trends in the regulated sectors
- Cooperate and collaborate with other regulators where appropriate
- Promote public education and knowledge about the regulated sectors
- Promote transparency and disclosure of information by the regulated sectors, and
- Deter deceptive or fraudulent conduct, practices and activities by the regulated sectors

Legislative Mandate - Specific

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Financial Services

- To promote high standards of business conduct,
- To protect the rights and interests of consumers, and
- To foster strong, sustainable, competitive and innovative financial services sectors

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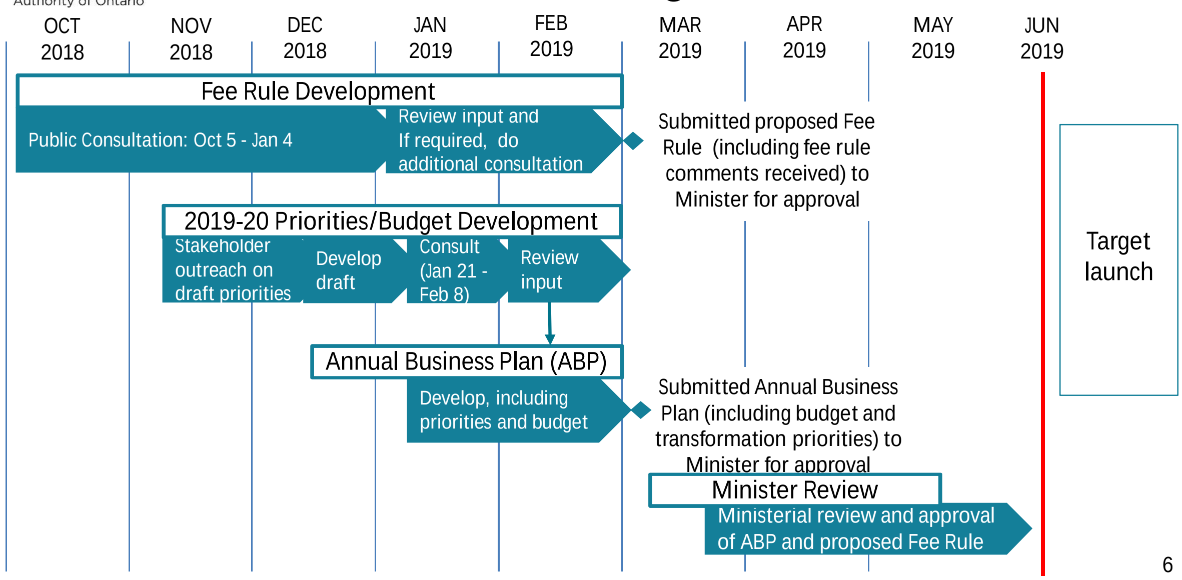
Timeline: Key Foundation-Building Activities to Launch



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FSRA's Areas of Focus

Enablement	Empowerment
Cultural Transformation	Regulatory Transformation

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Leadership

Chief Executive Officer
Mark E. White

Core Regulatory

- EVP, Pensions – Caroline Blouin
- EVP, Auto/Insurance Products – Tim Bzowey
- EVP, Market Conduct – Huston Loke
- EVP, Credit Union & Prudential – Guy Hubert

Regulatory Support

- EVP, Policy – Glen Padassery
  - Chief Consumer Officer
- EVP, Legal & Enforcement – Jordan Solway
- Chief Public Affairs Officer – Judy Pfeifer

Corporate Services

- EVP, Corporate Services – Stephen Power
  - Chief Human Resources Officer – Kelly Kimens
  - Chief Finance Officer – Randy Nanek
  - Chief Risk Officer – Alston Perianayagam
  - Chief Information Officer – Aleksandar Simic

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FSRA Strategic Framework

Vision

Safety ***Fairness*** ***Choice***

Mission

- Public service through dynamic, principles-based and outcomes-focused regulation

Key Enablers

- Principles based
- Rule making
- Clear guidance
- Risk-based, evidence driven and outcome focused
- Collaborative, consultative and transparent culture
- Dynamic
- Operational independence from, and continuous collaboration with, government

Overall Priorities	
Burden Reduction	**Regulatory Effectiveness**
• Review inherited guidance • Review data collection and filing requirements • Establish meaningful service standards	• Protect the public interest • Increase sectoral expertise • Enable innovation • Enhance stakeholder collaboration • Modernize systems and processes

Sector-specific: Targeted High-impact Priorities				
Auto Insurance	**Credit Unions**	**Insurance Conduct**	**Mortgage Brokering**	**Pensions**
• Streamline Rate Regulation Process • Support Auto Reform Strategy • Review Health Service Provider (HSP) Regulation • Develop Fraud Reduction Strategy	• Integrate Conduct and Prudential Supervision • Support Modernization of Regulatory Framework • Adopt Industry Code of Conduct • Ensure Appropriate Resolution and Deposit Insurance Reserve Fund (DIRF) Framework	• Adopt Effective Conduct Standards • Improve Licensing Effectiveness and Efficiency • Harmonize Treating Consumers Fairly Guidance	• Provide Effective Syndicated Mortgage Investment (SMI) Oversight • Improve Licensing Effectiveness and Efficiency • Adopt Industry Code of Conduct	• Support Plan Flexibility • Review Prudential Framework • Focus on Burden Reduction

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Insurance Conduct Priorities

- Adopt Effective Conduct Standards
- Harmonize Treating Financial Services Consumers Fairly Guidance

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1. Adopt Effective Conduct Standards

- Why? Strengthened conduct standards will eliminate oversight gaps in the industry, ensure a level playing field for all industry participants and help increase fairness to consumers.

Next steps:

- Engage with you and other regulators to better understand positions and opportunities for consensus
- If stakeholders in a particular subsector adopt a code of conduct, FSRA will review it and consider adopting it for use in its supervision of such sector
- Be transparent on why certain approaches were adopted or not

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2. Harmonize Treating Consumers Fairly Guidance

- Why? You told us there are overlapping and potentially inconsistent fair treatment of consumers guidance documents issued by different regulatory bodies which create confusion.

Next steps:

- Consult with stakeholders and other regulators to determine harmonized conduct expectations so FSRA can provide clarity about how this guidance is to be interpreted and applied in day-to-day business throughout the insurance product life cycle in Ontario

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TCF Guidance – Key Features

- The TCF Guidance is based on Insurance Core Principles (ICP 19) of the International Association of Insurance Supervisors (IAIS)
- Most TCF principles
  - Generally align with accepted industry best practices
  - Integral part of sound market conduct
- Provides latitude
  - Not "one size fits all"
  - Recognizes licensee size, distribution strategy and complexity of operations
  - Provides space for tailored solutions to achieve desired outcomes
- Consumer interest priority throughout lifecycle
  - Product/service design right through to fulfilment of obligations
  - Responsibility of all licensees involved

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TCF Reviews - Scope

Corporate Governance	•Assess organizational structure to ensure that reporting relationships between management and senior officers allow for effective oversight. Confirm that there is a reflection of TCF within the insurer's culture and values.
Agent Training and Outsourcing Arrangements	•Evaluate policies and procedures, advisor suitability factors as well as nature, timing and extent of training conducted.
Incentives and Remuneration	•Review policies and procedures, agent compensation structure, and incentives. Confirm that the insurer assesses risks periodically to ensure appropriate products are sold to consumers
Product Marketing and Advertising	•Confirm the insurer provides sufficient product information to allow a customer to make an appropriate decision.
Information Provided to Customers	•Confirm the insurer has a formal process for informing customers before, at the moment, and after sales, that takes into account TCF.
Claims Handling	•Confirm the insurer has a claims handling policy which incorporates TCF elements, as well as standard processing times that appropriately reflect TCF.
Complaint Handling and Dispute Settlement	•Confirm the insurer informs its customers of the existence of its complaints processing service and of its response timelines

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Working With You

- We are committed to an open, transparent and collaborative approach that engages our stakeholders and ensures broad input and diverse perspectives to inform our direction.
- Online transparency of our engagement opportunities and consultation to date. We have also responded to feedback in writing and have clearly showed how feedback was considered.
- Commitment to further expand our online engagement.

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Learn More / Be Engaged

- Questions?
- Stay up-to-date by subscribing to our mailing list @ www.fsrao.ca [Contact Us tab]

The Coming Data Protection Tsunami

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The coming data protection tsunami

EU General Data Protection Regulation, May 2018

- Applies if doing business EU or targeting EU individuals
- Focus on individual rights
- Strict enforcement

California Consumer Privacy Act, January 2020

- Companies over $25M gross revenue
- Has personal information of more than 50,000
- More than 50% income selling personal information

California

- Individual rights to :
  - Withdraw consent
  - Access
  - Correction and erasure
  - Object for sale or disclosure
  - Data portability
  - Restrict processing
  - Transparency about information use
- Statutory penalties and lawsuits by A.G.

Compliance is a global requirement

- 134 countries have data-protection legislation
- India next :
  - Personal data must have a copy in India for 2 years
  - Critical data cannot leave country

General Trends

- Greater rights and protections for data subjects/ consumers
- Broad application based on perspective of those affected
- Dramatically increased regulatory sanctions
- Data localization

- New rights: data portability, delinkage, enhanced consent, local remedies, opting-out of data sharing
- New obligations: data impact assessments, privacy by design, data breach reporting, data privacy officers, transparency

What does this mean for Canada?

- More pressure to meet global standards
- Increased demands from data subjects
- Rethinking its position in the data protection and e-commerce world

Principles of Canada's Digital Charter, May 2019

1. Universal Access
2. Safety and Security
3. Control and Consent
4. Transparency, Portability and Interoperability
5. Open and Modern Digital Government
6. A Level Playing Field
7. Data and Digital for Good
8. Strong Democracy
9. Free from Hate and Violent Extremism
10. Strong Enforcement and Real Accountability

Canada's Digital Charter

- Strengthen consent
- Transparency required (big data)
- Data portability
- Data trusts
- Enhanced enforcement powers
- Penalties fake news

Other challenges for business

- Multiple jurisdictions
- Populist voices (data localization, data monetization)
- Artificial intelligence
- Private is public is private (health care industry, public health, smart cities)

How to Prepare

1. Implementation of a data protection organization (including the need to appoint a DPO/CPO) in consideration of existing organizational structures
2. Required data protection framework (especially a data protection policy and a data protection standard/manual)
3. Identification of personal data and creation of the records of processing activities
4. Implementation of a data protection impact assessment (DPIA) for the affected processing activities
5. Adaptations and updates regarding information duties and consent of the data subject

How to prepare

6. Development of the necessary data protection processes (especially right of access and right to erasure)
7. Development of a procedure for the efficient treatment of data breaches
8. Evaluation of existing measures to ensure data security (confidentiality, integrity, availability, resilience)
9. Adaptation of existing contracts or preparation of necessary contractual agreements
10. Data protection awareness and training

Consumer Protection Developments

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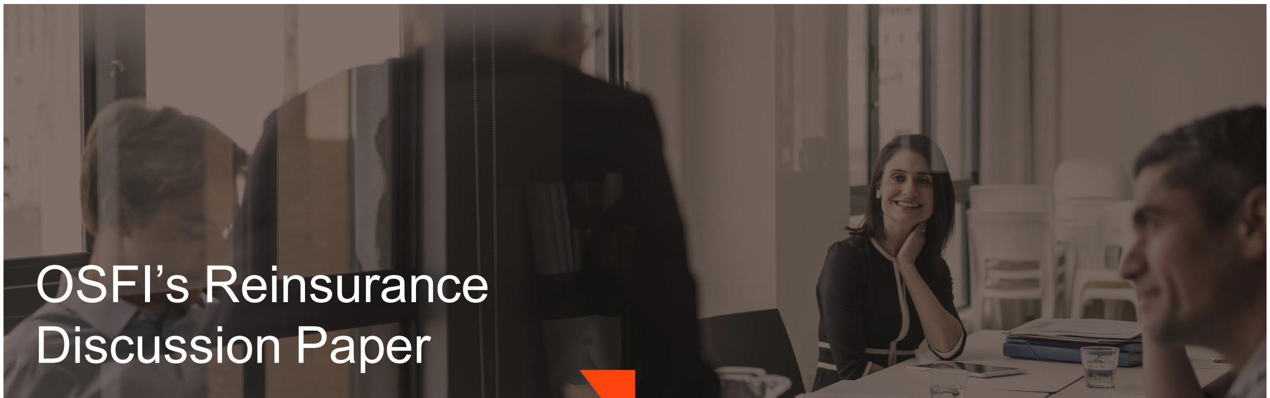
Consumer Protection Developments

- Australia Royal Commission Report
  - Key Observations
  - Principles and Rules
  - Implications for Canada
- Consumer Protection Framework for Bank Customers & FCAC Sales Practices Review

Provincial Requirements

- FSCO – Treating Financial Services Consumers Fairly Guideline
- CCIR Guidance – Conduct of Insurance Business and Fair Treatment of Customers
- FSRA Priority – Harmonize Treating Consumers Fairly Guidance



OSFI's Reinsurance Discussion Paper

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Discussion Paper on OSFI's Reinsurance Framework

- Released June 2018
- First comprehensive review of the reinsurance framework in ten years, and proposes a number of significant changes
- A key concern is the "leveraged business model"

Elements of the current reinsurance framework

- Principles-based guidance: Guideline B-3 - *Sound Reinsurance Principles and Practices*
- Capital framework: credit for reinsurance; registered vs unregistered reinsurance
- Risk-based supervision
- Approval required for reinsurance with unregistered related parties

Phases of reinsurance review process

- **Phase I:** Minimum Capital Test (MCT) Guideline for 2019
- **Phase II:** Amendments to guidelines and transaction instructions for unregistered related party reinsurance approval
- **Phase III:** Revisions to the MCT Guideline and Life Insurance Capital Adequacy Test (LICAT) for 2022 or later years.

OSFI's concerns with the leveraged business model

- This model involves issuing high-limit policies in Canada and subsequently reinsuring a very significant portion of these risks, typically with an unregistered reinsurer
- OSFI's concern is that little collateral is required to be held in Canada until occurrence of loss - credit risk and potential solvency issue

OSFI's proposal regarding the leveraged business model

- OSFI intends to revise Guideline B-3 to include an expectation that a FRI establish reasonable limits on its overall reinsurance exposure to any one reinsurance entity or group, particularly where the cedant FRI relies on its reinsurance programs to underwrite high-limit policies
- OSFI also intends to introduce a <u>rule</u> that would limit the maximum policy limit that a P&C FRI could issue based on its level of capital and excess collateral, as well as the diversity of its reinsurance counterparties (Annex 1)

MCT Guideline margin requirements for unregistered reinsurance

- Currently, for a P&C FRI to obtain a full capital credit for risks ceded to an unregistered reinsurer, the collateral requirement is established at 115%. This is viewed as being less than the equivalent amount of capital that would be held by an FRI
- OSFI intends to increase the margin required for reinsurance ceded to an unregistered reinsurer from 15% to 20%

Financial resources supporting earthquake risk exposures

- OSFI requires the establishment of an earthquake reserve, which can be reduced by a FRI using eligible financial resources
- OSFI is reviewing the appropriateness of this on the basis that it may inappropriately reduce overall capitalization by counting the same resource twice

Reinsurance concentration risk

- OSFI has observed that some FRIs have material reinsurance programs with one or only a few reinsurers, or a few groups of related reinsurers
- OSFI is considering introducing a concentration risk charge/limit on reinsurance assets

Worldwide treaties and flow of reinsurance funds

- In the case of worldwide treaties providing coverage of operations in different countries, OSFI is concerned that:
  - Coverage could be exhausted by events outside Canada
  - Where proceeds flow to the foreign entity arranging the coverage rather than directly to the FRI in Canada, there is risk the FRI will not recover claims in a timely manner
- OSFI's expectation is that worldwide reinsurance treaties should only be granted credit in the determination of target operating capital levels if the reinsurance payments flow directly to the FRI in Canada

Fronting arrangements

- OSFI is concerned about the FRI having inadequate knowledge of the risks it has insured, and about underwriting discipline being compromised
- OSFI expects FRIs have sufficient knowledge and expertise when entering into fronting arrangements that expose the FRI to material risks, or that represent a material portion of the FRI's insurance business in Canada

Foreign FRIs ceding risks back to the home office

- OSFI is concerned about situations where a foreign FRI cedes risks insured in Canada to an unregistered affiliated reinsurer, which then retrocedes the risks back to the home office of the FRI, and the foreign FRI then recognize the reinsurance arrangement for the purposes of determining its required vested assets
- The Discussion Paper proposes (1) denying credit to a foreign FRI for the risks that are ultimately retroceded, exclusively through entities within the FRI's group, back to the FRI in its home jurisdiction, or (2) requiring that additional collateral be maintained in Canada

Legislative approvals for reinsurance with related parties

- OSFI plans to request additional information when a FRI requests the Superintendent's approval to reinsure with an unregistered related party reinsurer. As well, OSFI plans to expand the scope of the information to be submitted annually in respect of such relationships
- The Discussion Paper states that OSFI would generally only recommend that the Superintendent grant an approval where both the related party reinsurer and the group to which it belongs appear to be in sound financial condition. As well, OSFI may recommend that the Superintendent revoke an approval if it is subsequently determined that either no longer appear to be in sound financial condition

Industry concerns and issues

- Imbalance between risks OSFI is trying to address and potential implications of proposals
- Requiring additional capital or collateral gives rise to the risk of unintended consequences

Bill 141 and the Regulation respecting Alternative Distribution Methods

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Bill 141

Most of the provisions of the *Insurers Act* and the *Act respecting the distribution of financial products and services* will come into force on June 13, 2019

Bill 141

Significant changes are related to the distribution of financial products

Bill 141/Brokerage firms

- Provisions applicable to brokerage firms
- New conditions/amendments related to ownership by financial groups/financial institutions:
  - 20% or less of the voting rights
  - 50% or less than the firm equity capital (excluding preferred / non-voting and non-participating)

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Bill 141/Brokerage firms

Does not limit the entering of financing agreements or contracts for services

Bill 141/3 offers

The brokerage firm:

- which offers insurance directly to the public
- to a client who is a natural person
- must be able to obtain quotes from at least 3 insurers
- who are not part of its group

Bill 141/3 offers

- The regulation is not published yet
- The brokerage firm must keep the information to prove that it made every effort to comply
- The regulation may only pertain to damage insurance for personal, family or household insurance

Bill 141/Business relationships

- Obligation for a firm to disclose (website and in writing):
  - the names of the insurers for which it offers insurance products or is bound by an exclusive contract (including the products)
  - the names of the financial groups that hold an interest of more than 20% of the value of the firm's equity capital (with some exclusions)
  - the names of the insurers to which are paid more than 60% of the premiums related to a single class

Regulation respecting alternative distribution methods

The regulation was published on May 10, 2019 and most of its provisions will come into force on June 13, 2019

Regulation respecting alternative distribution methods

- Applies to the digital distribution of insurance by a firm and to the distribution without representative
- Significant changes relate to digital distribution
- Insurers offering travel insurance through digital space must have an insurance representative available

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Regulation respecting alternative distribution methods

- The regulation applies to any transactional digital space
- Specific conditions must be met by the insurer regarding its digital space (s. 13, 14 and 18 of the Regulation)
- Other obligations apply to the distribution by a firm through a transactional digital space

Regulation respecting alternative distribution methods

- With respect to the distribution without representative, the guide is replaced by a summary and a fact sheet
- The summary should be less extensive than the distribution guide
- Other obligations apply to the distribution without representative
- Insurers that filed a guide before June 13, 2019 can use it up to June 13, 2020

Regulation respecting alternative distribution methods

The AMF invites the insurers and distributors to inform it of any compliance issues and discuss them

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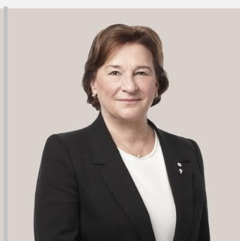

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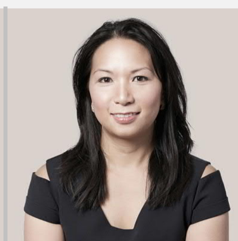

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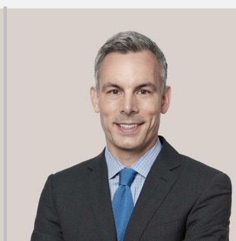

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FASKEN
Institute

Fasken Insurance Law and Regulation Update

31 May, 2019

Toronto, Ontario

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Overview

Fasken held a briefing on insurance law and regulatory matters on the morning of 31 May, 2019 at its downtown Toronto offices. Robert McDowell opened the proceedings by introducing the guest speakers from the Financial Services Regulatory Authority of Ontario (FSRA): the President and CEO Mark White and Huston Loke, EVP, Market Conduct.

Presentations

Mark White, President and CEO, FSRA—"FSRA Progress Report"

Mr. White noted that FSRA is a brand-new regulator, and one quite different from its predecessor the Financial Services Commission of Ontario (FSCO) because of the view that there was a need to start over and develop an innovative new regulator. Specifically, the Expert Panel on the future of financial services regulation in Ontario, appointed by the Ministry of Finance to examine what regulatory approach should be implemented, argued for "revolutionary change" as opposed to an incremental approach, through the creation of a new regulator that was flexible, and not bound to old ways. Specifically, Mark White noted that the panel's 31 March, 2016 final reported titled *"Review of the Mandates of the Financial Services Commission of Ontario, Financial Services Tribunal, and the Deposit Insurance Corporation of Ontario"* stated that

> *With financial services and pensions sectors changing at a rapid pace…Ontario needs a regulatory authority that is flexible, innovative, and in possession of expertise appropriate to match the consistently evolving financial environment. We call not for amendments, revisions or improvements to the existing regulatory framework and apparatus, but for the replacement of the current regulatory structure and approach with a more nimble and accountable one…*

Mr. White said that the regulatory scope of FSRA would be broad, covering everything that was not "federal or securities," specifically calling out the following sectors:

- Property and Casualty Insurance;
- Life and Health Insurance;
- Credit Unions and Caisses Populaires;
- Loan and Trust Companies;
- Mortgage Brokers;
- Health Service Providers;
- Pensions.

Mr. White said that the broad legislative mandate of FSRA was to

- Regulate and generally supervise the regulated sectors;

- Contribute to public confidence in the regulated sectors;
- Monitor and evaluate developments and trends in the regulated sectors;
- Co-operate and collaborate with other regulators where appropriate;
- Promote public education and knowledge about the regulated sectors;
- Promote transparency and disclosure of information by the regulated sectors; and
- Deter deceptive or fraudulent conduct, practices and activities by the regulated sectors.

With respect to financial services, Mr. White further elaborated that the specific mandate of FSRA was to promote high standards of business conduct, to protect the rights and interests of consumers, and to foster strong, sustainable, competitive and innovative financial services sectors. There is a strong convergence between FSRA's priorities and the government's priorities, he indicated, but some items require further investigation such as whether FSRA will regulate financial planners, as well as working closely with the government on auto rate reform. Mr. White said that the regulator was part of an ecosystem that included industry players and other stakeholders, and it was critical that all parts of the ecosystem worked closely and collaboratively together.

Mr. White noted that the preparatory work, including developing FSRA's strategic plan, creating its first-year budget, and the fee structure consultations, were now complete and the intention was to formally launch FSRA as Ontario's new financial services regulator, with its doors open for business, on Monday, 10 June, 2019.

FSRA has had good relations with FSCO and there will be good regulatory continuance; as well, the Ministry of Finance has been very supportive. But there will also be challenges; and, in the short run, one of the top challenges will be filling many continuing staff vacancies.

Upon launch, Mr. White wants FSRA to have four areas of focus—enablement, empowerment, cultural transformation, and regulatory transformation. Funds would be allocated to these priorities.

Mr. White also did not seem to feel that FSRA or CCIR should play a major role in promoting fintech activities, making the interesting comment that "the last thing you really need if you believe in innovation, is another layer of bureaucracy."

Finally, Mr. White shared the current organizational structure of FSRA, which can be found below in Appendix One.

Huston Loke, EVP, Market Conduct, FSRA—"Market Conduct Update"

Mr. Loke began his presentation by noting that the vision of FSRA was safety, fairness, and choice. Its mission, he said, was "public service through dynamic, principles-based and outcomes-focused regulation," and he made a point throughout his presentation to emphasize the importance of evidence-based, thoughtful regulation. He also outlined the following key enablers to achieving this vision and mission:

- Principles-based;
- Rule-making;
- Clear guidance;
- Risk-based, evidence-driven and outcomes-focused;
- Collaborative, consultative and transparent culture;
- Dynamic;
- Operational independence from, and continuous collaboration with, government.

Mr. Loke said that FSRA's overall market conduct regulation priorities are around burden reduction, and regulatory effectiveness. FSRA wants to reduce the volume of regulatory guidance, particularly items that are outdated or redundant, noting that FSRA was inheriting 1,100 pieces of guidance from FSCO and DICO—he said this was a pivotal opportunity for developing a new way of regulating. Regulatory transformation was necessary, he said—he said he regularly asks his staff to not just focus on their daily operational responsibilities, but to also think big picture, and for them to ask themselves why they were engaging in certain activiites. With over 90,000 licencees in Ontario, it was necessary to tackle issues strategically. Mr. Loke said that it was also important to make services accessible, fair, and innovative. He noted that any costs imposed by the regulator on industry are ultimately borne by the consumer.

Mr. Loke then delved into some specific examples, starting with the importance of adopting effective market conduct standards. This, he said, would eliminate oversight gaps in the industry, ensure a level playing field for all industry participants, and would help increase fairness to consumers. As next steps, FSRA would engage with industry and other regulators to better understand their positions and to seek areas of consensus. If stakeholders have a code of conduct, FSRA will consider adopting it for supervision of the sector. Finally, he said FSRA would be transparent on why certain approaches would be used and why others would not.

With respect to FSCO's 2018 Guidance on Treating Consumers Fairly, which FSRA has inherited, Mr. Loke acknowledged that industry said that having both a CCIR/CISRO Guidance, and a FSCO Guidance, has led to overlapping and potentially inconstent documents which causes confusion. He commited to trying to achieve one document and guidance. He said FSRA would consult with industry and other regulators to harmonize to the extent possible, and to provide clarity on how the Guidance is to be interpreted and applied in day-to-day business throughout the insurance product life cycle. Noting that the TCF Guidance was basd on Insurance Core Principles (ICP 19) of the International Association of Insurance Supervisors (IAIS), he said that FSRA would align with accepted industry best practices, and that going forward TCF principles should be an integral part of sound market conduct. He also noted that the Guidance could not be "one size fits all," and that the size, distribution strategy, and complexity of operations of different companies meant that they would each need their own approach to implementing the Guidance. But it was important to also always keep consumer interests in mind througout the product life cycle within a company's operations, from product design through to the final fulfilment of obligations.

Mr. Loke spoke about fair outcomes for customers, noting that if commissions or compensation structures lead to conflicts of interest, that needed to be addressed. He said best practices should be a priority for both the industry and regulators, noting that this was the approach taken by the IMF and it would be used "one level down" by FSRA.

Prior to asking a question, CAFII Co-Executive Director Brendan Wycks made a statement in which he said that he felt that FSRA had a different philosophy than some other, more enforcement-oriented regulators, and he asked whether this might lead to conflicts or friction at the CCIR. Mr. Loke said "there may be differences in priorities around the CCIR table," but he did not seem concerned that this would be a major stumbling block.

Mr. Loke was also asked about whether he planned to consult with the Board members of companies operating in the regulated sectors, particularly around TCF, and while he said that he had no problem with so doing, he felt that his major points of contact would be Chief Compliance Officers and legal counsel.

(See Appendix Two for *FSRA Examples of the Scope of Treating Consumers Fairly Reviews*.)

Mr. Loke concluded his talk by returning to key principles around the commitment to an open, transparent and collaborative approach that engages stakeholders, and ensures broad input is taken into account. To the extent possible, he said, it was better for organizations and industry sectors to self-regulate. Harmonization and collaboration were critical priorities for FSRA, and it would be acting on its commitment to thorough consultation, he stressed.

Jennifer Stoddard, Strategic Advisor, Fasken—"The Coming Data Protection Tsunami"

Jennifer Stoddard noted that many jurisdictions, especially the European Union but also California, and India, were making significant enhancements to their data protection laws. There were increasing public policy concerns with the balance between corporate access to private data, and consumers' ability to protect personal data, and governments were beginning to respond. The law was shifting increasingly towards giving consumers and individuals more rights, an area that Canada was behind on now but which we were likely to catch up on in the coming years.

Among the general trends are greater data and privacy rights and protections for consumers and individuals, dramatically increased regulatory sanctions, and data localization. Canada has partly responded to emerging trends through the enactment of a new Digital Charter adopted in May, 2019, but much more is on the horizon. Ms. Stoddard spent much of the remainder of her presentation on how to prepare for the coming storm, with a focus on developing a strategy and a plan of action around data protection, developing data protection processes, creating procedures for dealing with data breaches, and enhancing employee awareness and training on these issues.

Kathleen Butterfield, Partner, Fasken—"Consumer Protection Developments"

Ms. Butterfield noted that there was much activity around consumer protection recently, referencing the Australian Royal Commission Report and its recommendations, and the Financial Consumer Agency of Canada (FCAC)'s recent review of domestic banks' sales practices. There may be parallels in Canada, she said, to some of the findings of the Australian Royal Commission. The FCAC, for example, concluded that Canadian bank culture is focused on selling.

Regulatory compliance risk, and the potential for litigation, are increasing in Canada, she said, noting that passage of federal Bill C-86, which enhances consumer protections, was in response to the Marcotte Decision[1] and the findings of the FCAC Sales Practices Review. Banks need to spend more time on risk mitigation, developing enhancements to sales practices, monitoring and oversight of sales personnel, and ensuring there is express consent for all sales.

Koker Christensen, Partner, Fasken—"OSFI's Reinsurance Discussion Paper"

Koker Christensen provided an overview of a paper released by the federal Office of the Superintendent of Financial Institutions (OSFI), Canada's prudential financial services regulator. OSFI recently released its first comprehensive review of the reinsurance framework in 10 years, in which it proposed a series of important reforms. The paper reviewed the current elements of the existing reinsurance framework, including Guideline B-3 *"Sound Reinsurance Principles and Practices*," which is a principles-based guidance. The phases of the reinsurance review process were also touched upon, which include a Minimum Capital Test (MCT) by 2019; amendments to guidelines for unregistered related party reinsurance approval; and revisions to the MCT Guideline and Life Insurance Capital Adequacy Test (LICAT) for 2022 or later years.

A key concern for OSFI was the "leveraged business model" where a company issued high-limit policies in Canada and subsequently reinsures a significant portion of these risks, typically with an unregistered reinsurer. OSFI's concern is that little collateral is required to be held in Canada, leading to credit risk and potential solvency issues. The industry, which typically has been able to absorb large losses, is concerned that OSFI will err too far on the side of caution, creating business issues for companies and making companies less internationally competitive.

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[1] The Marcotte Decision was an important Supreme Court case which ruled against banks in a provincial consumer protection class action. Donald Neave and Rebecca von Ruti write in a 22 September, 2019 article in DLA Piper: *"On September 19, 2014, the Supreme Court of Canada (the "Court") ruled in Bank of Montreal v. Marcotte[1] ("Marcotte") that Quebec's consumer protection legislation is applicable to federally regulated banks such that it provides the basis for consumer class actions in Quebec against those banks. In so doing, the Court rejected the banks' constitutional arguments and held the banks were not immune from Quebec's Consumer Protection Act ("CPA") with respect to the disclosure of credit card conversion charges levied on purchases made in foreign currencies. In the result, the Court ordered that the "Group A Bank"[2] defendants breached the CPA by failing to disclose the charges. They were ordered to reimburse consumer cardholders for conversion charges during the non-disclosing periods. The Court also restored the trial court's award of punitive damages – $25.00 per class member – for failing to disclose the conversion charges."*

Sylvie Bourdeau, Partner, Fasken—"Bill 141 and the Regulation Respecting Alternative Distribution Methods"

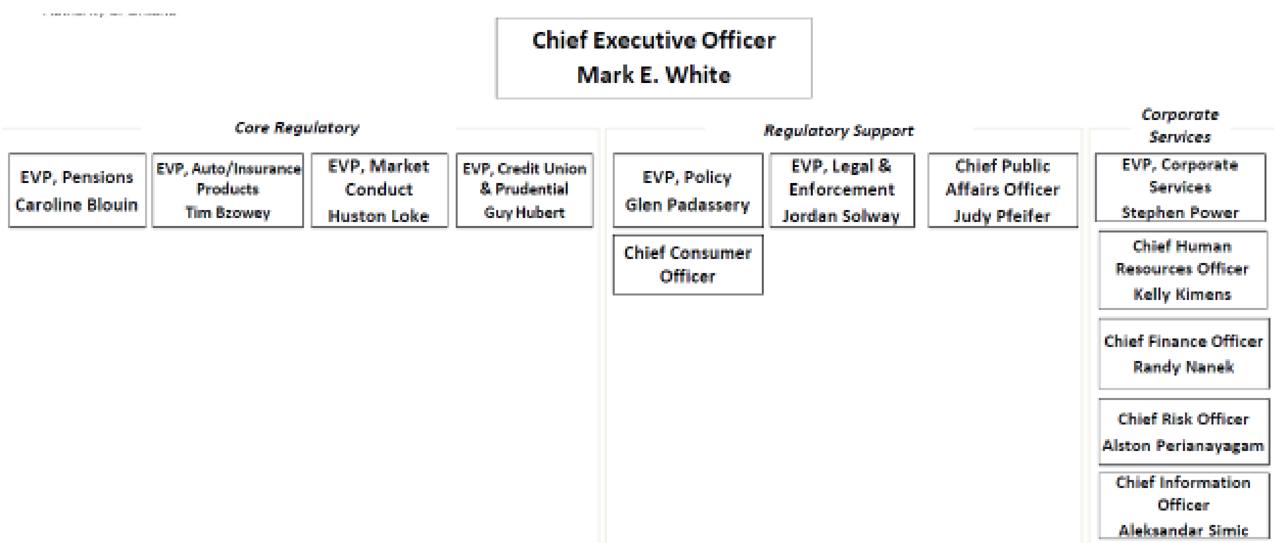
Sylvie Bourdeau[2] noted that most of the provisions of Quebec's new *Insurers Act* and *Act Respecting the Distribution of Financial Products and Services* would come into force on 13 June, 2019.

She reviewed in some detail the changes that Bill 141 would produce for brokerage firms.

She also reviewed the *Regulation Respecting Alternative Distribution Methods*, the final, updated version of which was published on May 10, 2019. Of particular note, she said, were the new obligations that insurers offering insurance through a digital space must make a representative available to the customer if the customer so desires. Ms. Bourdeau noted that while there are new obligations outlined in the Regulation, these only apply to transactional sites where a consumer can actually complete an insurance purchase. For distribution without a representative, the previous requirement for a Distribution Guide to be provided to the consumer has been replaced by a requirement to display a summary and a fact sheet on the company's digital space. The summary is expected to be much less detailed and extensive than were the requirements of the former Distribution Guide. Insurers that have a Distribution Guide already in place can use it up to June 13, 2020, so there is a one-year transition period. The AMF has also been very clear that it wants to work closely with the industry on implementation, and that it wishes industry to be transparent and to communicate with it, Ms. Bourdeau concluded.

[2] Sylvie Bourdeau is CAFII's legal counsel of record on issues related to Bill 141 and the Regulation Respecting Alternative Distribution Methods.

Appendix One – FSRA Organizational Structure



Appendix Two – FSRA Examples of the Scope of Treating Consumers Fairly Reviews

Corporate Governance	• **Assess** organizational structure to ensure that reporting relationships between management and senior officers allow for effective oversight. **Confirm** that there is a reflection of TCF within the insurer's culture and values.
Agent Training and Outsourcing Arrangements	• **Evaluate** policies and procedures, advisor suitability factors as well as nature, timing and extent of training conducted.
Incentives and Remuneration	• **Review** policies and procedures, agent compensation structure, and incentives. **Confirm** that the insurer assesses risks periodically to ensure appropriate products are sold to consumers
Product Marketing and Advertising	• **Confirm** the insurer provides sufficient product information to allow a customer to make an appropriate decision.
Information Provided to Customers	• **Confirm** the insurer has a formal process for informing customers before, at the moment, and after sales, that takes into account TCF.
Claims Handling	• **Confirm** the insurer has a claims handling policy which incorporates TCF elements, as well as standard processing times that appropriately reflect TCF.
Complaint Handling and Dispute Settlement	• **Confirm** the insurer informs its customers of the existence of its complaints processing service and of its response timelines

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Overview

On 11 June, 2019 the Financial and Consumer Services Commission of New Brunswick (FCNB) held an inaugural one day "2019 Consumer Protection Conference" in Fredericton, New Brunswick at which a series of individuals and panelists presented on a variety of compliance, consumer protection and regulatory issues. The FCNB stated that this conference reflected its mandate to act as a catalyst for innovation and action in advancing the financial interests of New Brunswickers. The speakers at the conference addressed topics such as the financial community's role in preventing, recognizing and reporting senior financial abuse; the latest enforcement trends; and how to protect customers against cybersecurity and fintech risks.

Brendan Wycks and Keith Martin, CAFII Co-Executive Directors, attended the conference. Copies of most of the presentations can be found on the FCNB website here:
http://fcnb.ca/2019-consumer-protection-conference.html

Presentations

Rick Hancox, Chief Executive Officer of the Financial and Consumer Services Commission of New Brunswick

Opening Remarks—"Setting High Standards for Consumer and Investor Protection"

Rick Hancox, CEO of the Financial and Consumer Services Commission of New Brunswick, welcomed delegates to the inaugural 2019 Consumer Protection Conference. He said that the conference had been organized to help FCNB advance its mandate of protecting consumers and increasing confidence in financial institutions.

More broadly, Mr. Hancox noted that the financial services industry in Canada was very large, with $621 billion owed in non-mortgage debt and over $1 trillion owed in mortgage debt. The industry was constantly changing and adjusting, in particular due to ongoing technological change. With the constant development of new products and options, it was more critical than ever to help consumers understand the benefits, and risks, of options available to them. But the overload of information sometimes led to paralysis and to consumers not feeling able to determine what is the right choice for them.

In this context, regulators are important because behaviour can change when people know they are being watched. Mr. Hancox told a story of an experiment where a workplace coffee dispenser arrangement included an adjacent cup for people to put money into when they poured themselves a coffee. In one case, just the money cup was present; in another case, a picture of eyes was posted above the money cup. The experiment determined that the workplace with the picture of the eyes above the coffee dispenser was subject to much less cheating—in other words, being reminded that you are possibly being watched can change behaviour.

FCNB, Mr. Hancox noted, is an independent, self-funded regulator with wide-ranging powers. The Commission, he added, had oversight responsibilities for over 750,000 provincial consumers, 34,000 industry participants, and $30 billion in funds. The trick for any regulator, he said, is to strike the right balance between keeping up with developments in the industry, and protecting consumers, while not stifling business and innovation.

Mr. Hancox advised that a critical issue for New Brunswick is senior financial abuse, as New Brunswick has the highest provincial rate of seniors at 20% of the population. These individuals are a target of scam artists, and the extent of the problem is difficult to determine as senior financial abuse is generally not reported.

Consumer education is also a critical part of the picture, Mr. Hancox asserted. There is a low-level of financial literacy in the province, something the FCNB has made it a priority to address. A part of the mandate of the Commission is to help people detect and avoid fraud. Industry needs to be part of the solution to this problem. Mr. Hancox also identified newcomers to New Brunswick as another vulnerable group.

Deborah Gillis, Senior Legal Counsel and chair of FCNB's Senior Initiative (moderator); Norman Bossé (Senior Advocate for New Brunswick); Judith Shaw (Securities Administrator for the State of Maine Office of Securities); Chantal Landry (Public Trustee for the Province of New Brunswick)

Panel Discussion on Senior Financial Abuse

In a wide-ranging discussion, there was consensus that senior financial abuse and fraud is an increasing phenomenon, largely because the demographic segment vulnerable to this is growing with the general ageing of the population. It is a very difficult problem to solve, partly because those who are defrauded are often embarrassed or ashamed, and as a result do not report the incident. It is therefore difficult to investigate and solve these issues. Furthermore, the most common perpetrators of senior financial abuse are family members, who often do not feel that they are doing anything wrong because "the money is my inheritance anyways."

The panelists also noted that they have limited powers to fight senior financial abuse, and were mostly in a position to advocate or conduct reviews as opposed to enforcement. Education and information were critical as well, with the media playing an important role. It was noted that one of the greatest dangers for a senior is assigning a Power of Attorney to someone. This has to be done with extreme care, as this is a major power and one that can be abused.

David Weir, Senior Technical Advisor, Insurance, FCNB (moderator); Alaina Nicholson, Director, Consumer Affairs, FCNB; Jennifer Sutherland Green, Deputy Director of Pensions and Insurance and Senor Legal Counsel, FCNB; Louise Gauthier, Senior Director, Distribution Policies, Authorité des marchés financiers (AMF)

Panel on Introducing New Brunswick's Regulated Financial Industries to the Fair Treatment of Customers Guidance

Jennifer Sutherland Green provided an overview of the mandates and structures of CCIR and CISRO, and Alaina Nicholson did the same for the Mortgage Broker Regulators' Council of Canada.

The bulk of the presentation, however, was delivered (mostly in French) by the AMF's Senior Director of Distribution Policies Louise Gauthier, on the CCIR/CISRO Guidance on the Fair Treatment of Customers. Ms. Gauthier noted that the source document for the Guidance was the International Association of Insurance Supervisors' (IAIS) Insurance Core Principles (ICPs), in particular ICP 19 on the Conduct of Business, which defines the respective roles of insurers and intermediaries, and to a lesser extent ICP 18, which deals with intermediaries.

The Guidance was introduced in the Fall of 2018. Insurers and intermediaries are both expected to adhere to it, with insurers responsible for product design and intermediaries responsible for advice as distributors. The Guidance is an effort to help clarify expectations that regulators have of both insurers and intermediaries. It was also produced in response to expectations set out by the IMF in its 2013 Financial Sector Assessment Program (FSAP) report on Canada, in which the IMF said that provincial regulators in Canada needed to strengthen the conduct of business regulatory regime. The IMF is expected to issue its second FSAP report on Canada, based on its 2018 follow-up visit to our country, within the next few weeks, Ms. Gauthier advised.

The Guidance, Ms. Gauthier stressed, represented an evolution, not a revolution, in regulators' expectations of the industry—much of it was common sense and already practiced by industry players. She noted that intermediaries are broadly defined in the Guidance, and include individual agents, insurance firms, and MGAs. An important component of the Guidance are the expectations of regulators with respect to the relationship between insurers and intermediaries.

Ms. Gauthier then reviewed the 12 expectations in the Guidance one by one.

Governance and Corporate Culture—the Guidance is expected to be a core component of the governance and corporate culture of insurers and intermediaries. The "tone from the top," the information shared throughout the organization, and the mechanisms and controls within the organization, are all expected to be consistent with the Fair Treatment of Consumers Guidance.

Conflicts of Interest—this is a key issue for intermediaries, as the manner in which they are compensated should not produce conflicts around being aligned with the best interests of the consumer. Any potential or actual conflicts of interest should be avoided or properly managed, and not affect the fair treatment of consumers. Ms. Gauthier noted that conflicts of interest could arise from compensation structures, performance targets, or performance management criteria. Disclosure alone was not sufficient to deal with potential conflicts of interest. Focusing on compensation practices and the issue of conflicts of interest is likely to be the focus of the next phase of effort of the joint CCIR/CISRO FTC Working Group.

Outsourcing—outsourcing should not hinder the quality of services provided nor jeapardize the insurer's or the intermediary's ability to provide fair treatment of customers. Outsourcing does not absolve insurers or intermediaries of the ultimate responsibility to deliver FTC, and they should only deal with service providers with high ethical and professional standards, and additionally should always maintain appropriate controls over them.

Design of Insurance Product—the design of the insurance product should take into account the interests of the target consumer. Only products that deliver the reasonably expected benefits should be offered, and the products should only be targeted to those for whom the product is likely to be appropriate, while inappropriate sales should be prevented or limited.

Distribution Strategies—distribution strategies should be tailored to the product and should consider the interests of the targeted consumer group. Insurers are ultimately accountable and responsible for the distribution of their products.

Disclosure to Customer—Customers are to be given appropriate information in a timely and clear way, and before they make a decision about buying a product.

Product Promotion—marketing material needs to be accurate, clear, and not misleading. It should not hide, diminish, or obscure important statements or warnings.

Advice—when the provision of advice is required by law before the contract is signed, it should be offered, be relevant, take into account the customer's circumstances, and there should be an appropriate assessment of the insurance objectives and needs of the client before any advice is given. The basis for any recommendations should be carefully explained and documented.

Disclosure to Policyholders—policyholders are to be provided with information that allows them to make informed decisions throughout the lifetime of their contracts. They must be notified of changes to the contract, including product switches and early policy cancellation.

Claims Handling and Settlement—claims should be examined diligently and settled fairly, using a simple and accessible procedure. Written documentation on claims handling procedures should be maintained, and claimants should be informed about procedures, formal mechanisms, and timeframes for claims settlement. Mechanisms need to be in place to review claims disputes.

Complaints Handling and Dispute Resolution—complaints are to be examined diligently and fairly, using a simple and accessible procedure. Policies and procedures for handling complaints should be in place, and complaints should be responded to without unnecessary delays. Complainants should be kept informed of the process to examine the complaint and of the examination's status.

Protection of Personal Information—protection of confidentiality of personal information is critical, as is compliancae with legislation on privacy protection along with best practices. Customers need to be provided with a level of comfort around the security of their personal information.

Ms. Gauthier said that, in general, industry had received the FTC Guidance in a positive way. Communication channels between industry and regulatory authorities were open, and there were various industry initiatives underway to promote and advance FTC. She noted that regulators recognized that developing measures around FTC was a challenge. She added that the Guidance needs to be dissemenated to intermediaries and to consumers.

Turning to the AMF's own implementation of FTC, Ms. Gauthier noted that the principle of sound commercial practices was already embedded in Quebec's *Insurance Act* along with penalties for non-compliance. This has been in place for insurers since 2013, and supervision and enforcement has been in place since that date as well. What still needs to be worked on is similar principles and oversight for intermediaries. She added that there will be a review of the AMF's FTC provisions in connection with the 2017 amendments to ICP 19.

Speaking further on the issue of product design, Ms. Gauthier said that products should not be designed only with profitability objectives in mind. She said that the Distribution Guide in Quebec does not embed FTC principles currently, and that more needs to be done to align intermediaries with FTC principles.

FCNB officials noted that in February 2019, New Brunswick formally endorsed the CCIR/CISRO Guidance. As well, New Brunswick is looking at how to apply FTC principles to mortgage brokers. Other provinces and territories that have formally endorsed the FTC Guidance are BC, Saskatchewan, Ontario, Quebec, New Brunswick, Nova Scotia, PEI, and Nunavut.

Ms. Gauthier said that she expects that future regulatory audit inspections will include reference to adherence to the FTC Guidance. Any future amendments to Quebec's *Insurance Act* will also incorporate FTC principles. She added that issues around remuneration and compensation are critical to the proper appplication of FTC. It is necessary not just to disclose remuneration or conflicts of interest to consumers; it is also necessary to ensure the structure is fair to consumers.

In the question and answer period, Keith Martin asked Ms. Gauthier to comment on the issue of measuring the implementation of the fair treatment of consumers, given that much of this was about business culture and that was something that was difficult to measure. Ms. Gauthier agreed, and said that the CCIR/CISRO FTC Working Group was trying to develop key performance indicators (KPIs) on FTC. **Ms. Gauthier then said something we had not heard before, which both CAFII Co-Executive Directors were surprised and disconcerted by: she said that one such possible KPI was the loss ratio or claims ratio, which she described as the amount of premium collected relative to the amount of claims paid out. If the ratio was too low, she said, that could indicate that premiums were too high, or claims paid out too low; and that could be an indicator that consumers were not being treated fairly.**

Finally, Ms. Gauthier said that with respect to consumer complaints, policies and procedures needed to be in place, and they needed to be applied. Companies needed to ask the right questions around complaints.

After the session ended, Brendan Wycks and Keith Martin spoke to Ms. Gauthier in person; Keith Martin asked if consumer surveys could provide useful information around the fair treatment of consumers, and Ms. Gauthier said that "if done properly," yes such consumer surveys could provide useful insights, and that the process of asking about consumers' views of products and services was itself an indication of a commitment to the fair treatment of consumers.

Peter Moorhouse, President & CEO of Atlantic Canada's Better Business Bureau

"Building a Better Business: Creating Customer Trust from the Inside Out"

Peter Moorhouse, President & CEO of Atlantic Canada's Better Business Bureau, made the case that a fair and trusting relationship with customers is good for business. Protecting your customer's trust builds their willingness to do more business with you, and helps protect an organization's reputation. He quoted from an Edelman 2019 Trust Barometer study, which found that high trust companies outperformed their sector by an average of 5% in 2018.

Mr. Moorhouse said that there were six principles of trust:

Transformation at the Top—trust-oriented leaders are reflective, and work intentionally to increase manifestations of their own high character in the business culture. These leaders are ethical, and they know that positive character traits are an essential guide to life and work. They strive to live and lead accordingly, and they intentionally seek feedback in order to make personal improvements. Quoting again from the Edelman 2019 Trust Barometer, he noted that 74% believe that CEOs should embody the values and mission of the organization they lead, and that candor, honestry, and transparency are all powerful trust-building elements.

Reinforce and Build—leaders should reinforce and build a culture of high character ethics. The leader and the leadership team should intentionally behave and communicate with one another and stakeholders in ways that are consistent with their beliefs. Their actions follow their words, which intentionally reinforces the character culture of their organization and builds a high performance business model.

Unite the Team—leaders unify the organization around a clear purpose and compelling convictions. The leader and leadership team work consistently to ensure clarity of purpose and to develop an adherence to clear convictions that motivate and unite stakeholders. By doing so, they establish and emphasize the "why's" of an organization: why work here, why be a customer, why be a supplier, why be who we are? Mr. Moorhouse noted that the Edelman 2019 Trust Barometer found that employees who have trust in their employer are more likely to advocate on behalf of their organization (+39%); be engaged (+33%); remain loyal (+38%); and be committeed (+31%) than their more skeptical counterparts.

Steer Performance—leaders guide organizational performance by implementing high competency management practices. High character must be accompanied by high competency. The leader and leadership team continually manage performance by establishing goals, measuring achievement and allocating just rewards. They establish practices that represent their commitments to the future and the means for the organization to achieve those commitments.

Treasure People—leaders prize the intrinsic value of people. The leader and the leadership team adopt and implement human resources practices that prepare, continually support, recognize and provide opportunities for growth in all staff members. Mr. Moorhouse then quoted Richard Branson, who said *"Clients do not come first. Employees come first. If you take care of your employees, they will take care of the clients."*

Enthusiastically Give Back—leaders suppot the community that supports them. The leader and leadership team transfer their ethical ethos by their active engagement with their industry and the communities from which the organization derives its customers, workforce, vendors, investors and governance. Mr. Moorhouse noted that the Edelman 2019 Trust Barometer found that 73% agreed that a company can take specific actions that both increase profits and improve the economic and social conditions in the communities where it operates—a nine-point increase from 2018. He gave the example of a company that is not financially able to give funds, could instead let employees donate their time and expertise to worthwhile endeavours.

Kelly Keehn, personal finance educator, media personality, speaker and best-selling, award-winning author of nine books

"Creating a S.A.F.E. Financial Life"

Kelly Keehn, financial educator and speaker based in Edmonton, Alberta, gave an overview of some of the biggest fraud risks facing consumers. She noted that millenials are defrauded more than any other group, but that seniors get defrauded for the greatest amounts of money. The most common fraud that consumers fall for is the romance scheme, where fraudsters create fake profiles on social media and online dating sites to lure potential victims into online relationships. Once they gain the victim's trust, the fraudster begins making financial requests.

According to the Canadian Anti-Fraud Centre (CAFC), New Brunswickers lost $2.5 million to fraudsters in the past two years, but this is a vast under-reporting of the problem, because the CAFC also states that less than 5% of victims report fraud. According to the 2017 Canadian Securities Administrators (CSA) Investor Index for New Brunswick, 7 in 10 New Brunswickers who were approached by an investment fraudster did not report it. One reason that people do not report fraud is they are too embarrased to do so.

According to the Canadian Bankers Association (CBA), fraud costs the Canadian economy between $15-30 billion each year. According to Statistics Canada, 41% of large Canadian companies were affected by a cyber-security fraud incident in 2017.

Erin King, Senior Education and Website Officer; Lisa Legere, Education Coordinator

FCNB: More than Just a Regulator

This concurrent/breakout session focused on the activities of the Financial and Consumer Services Commission of New Brunswick (FCNB), emphasizing that while it had wide-ranging regulatory powers, it also focused on many other activities, most notably financial education and literacy, and fraud protection.

Financial literacy is particularly important to New Brunswick because 53% of the province's population over the age of 16 do not have the literacy skills need to function in everyday life. On fraud, seniors are the most vulnerable population and New Brunswick has the highest percentage of senior citizens of any province in Canada. In the past two years, $2.5 million has been lost to fraud in New Brunswick, although the actual number is likely much larger than that as most fraud losses are not reported. There are multiple programs that FCNB engages in to promote these activities, including its website, online fraud alerts (http://fcnb.ca/fraud-alerts.html), and a variety of educational programs including videos, infographics, eBooks, brochures, and educational visits, including to schools.

These topics are important to New Brunswickers, who have a $1.79 debt-to-income ration. Fully 42% of New Brunswickers have no savings or investments for the future, and 40% say that money is the biggest source of stress in their lives. There is a particular focus on educating young people, and on protecting seniors—on the latter, key topics are estate planning, power of attorney issues, and preventing fraud and senior financial abuse.

Wendy Morgan, FCNB Deputy Director Policy, Securities (moderator); Lise Estelle Breault, Senior Director Fintech, Innovation and Derivatives at the Authorité des marchés financiers (AMF); Jake van der Laan, FCNB Director, Information Technology and Regulatory Infomatics

Panel Discussion: Emerging Issues in Fintech and Cybersecurity

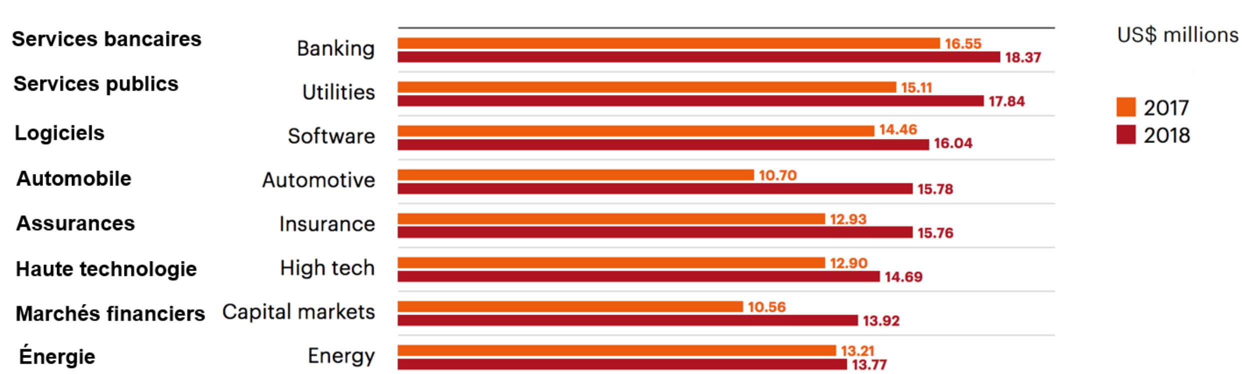
This wide-ranging panel spoke about the existing and emerging challenges which businesses face from fintech and cybersecurity. New online companies have emerged and have already had a profound impact on business and society, including the GAFAM companies (Google, Apple, Facebook, Amazon, and Microsoft). New fintech players are emerging and they will have a disruptive effect on banking and insurance. The vast increase in computing power available to companies, combined with the exponential increase in access to data, has produced new opportunities to use artificial intelligence and analytics to drive insights.

New issues will arise for regulators as well. For example, audits can be performed on firms, but how will they be performed on algorithms that are providing investment advice to individuals? Who is responsible for inappropriate advice given by an algorithm? Other ethical issues emerge as well. For example, facial recognition algorithms can identify people who may be a risk, but there are recent cases that demonstrated that these work well for caucasians, who were the source of much of the machine learning, but not for black people, and as a result these facial recognition programs identify a much higher number of false positives (finding a person is a risk when they are not) for the black population than for the white population.

These issues have resulted in a "culture lag" where our institutions, including regulators, have to catch up to the new technologies and realities. This process is ongoing, with open banking likely to produce a new set of data, confidentiality, security, and privacy issues in the near future. It was noted that some of these issues are difficult to tackle, and that strengthening privacy laws might prevent serious abuses. Consumer education is also critical.

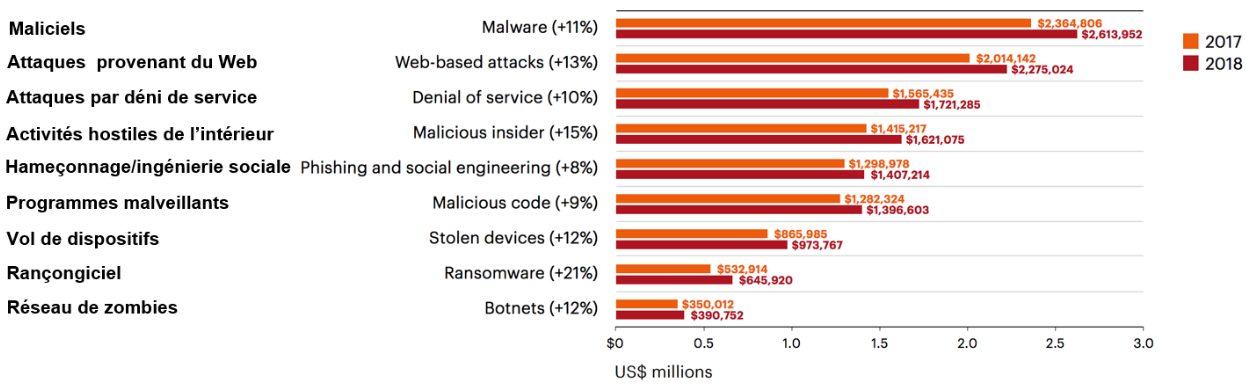
The industries most affected by cybercrime are banking, utilities, software, automotive, insurance, high tech, capital markets, and energy (see Table One). The attacks that are most common are malware, web-based attacks, denial of service, malicious insiders, phishing and social engineering, malicious code, stolen devices, and ransomware (see Table Two).

Table One--Average Annual Cost of Cybercrime by Industry, 2017 and 2018



Source:
https://www.accenture.com/_acnmedia/PDF-96/Accenture-2019-Cost-of-Cybercrime-Study-Final.pdf

Table Two--Average Annual Cost of Cybercrime by Type of Attack, 2017 and 2018



Source:
https://www.accenture.com/_acnmedia/PDF-96/Accenture-2019-Cost-of-Cybercrime-Study-Final.pdf

An analogy was given about how stealing and malicious behaviour have become much less dangerous. Robbing a bank meant being prepared to be arrested, injured, or killed. Now, you can steal through computers without any physical danger to yourself, and you may not even live in the same country that the computers or files you are stealing from are located in.

It was also noted that there has to be a societal, and potentially also regulatory or government, change to the prevalence of people saying "I consent" on online agreements, without reading or having any knowledge of what they are consenting to. People are giving away their data and not appreciating the extent to which information is being collected about them. The balance is to provide good regulatory protection without slowing innovation; that balance is off-kilter right now. Other entities than regulators—like industry Associations which establish conduct guidelines and best practices—might need to be more engaged.

CAFII Private Session with David Weir, Senior Technical Advisor, Insurance; and Jennifer Sutherland Green, Deputy Director of Pensions and Insurance and Senior Legal Counsel

In response to an email inquiry from CAFII Co-Executive Director Brendan Wycks, Angela Mazzerole wrote the following email to Mr. Wycks on 6 June, 2019:

> *Brendan,*
>
> *Thank you for your email. I enjoyed meeting with the CAFII representatives in Niagara Falls.*
>
> *Since the time that we met, FCNB has implemented a revised organizational structure in order to position ourselves to be more efficient and effective, and to prepare for a post CMRA[1] world. That reorganization has resulted in all the regulators other than securities becoming part of a new Regulatory Operations divisional group. I have become the Vice President of Regulatory Operations.*
>
> *With my move to this new role, Jennifer Sutherland Green was promoted to the position of Director of Pensions and Insurance. We no longer have a Deputy Director of Pensions and Insurance.*
>
> *Our work on the Insurance Act rewrite continues, with David continuing to lead this project.*
>
> *I have copied Jennifer and David on this email so that you have their contact info to try to coordinate a mutually agreeable meeting time.*
>
> *I look forward to seeing you at the event next week.*
>
> *Sincerely,*
>
> *Angela Mazerolle*
> *Vice President, Regulatory Operations / Vice-présidente, Activités de réglementation*

In response, CAFII Co-Executive Directors Brendan Wycks and Keith Martin held a private, one-hour in-person meeting following the FCNB 2019 Consumer Protection Conference with David Weir, now Senior Technical Advisor, Insurance, and newly appointed Deputy Director of Pensions and Insurance and Senior Legal Counsel, Jennifer Sutherland Green.

Mr. Weir advised that FCNB has recently issued a consultation paper around insurance appraisers and adjusters and that CAFII had an opportunity to provide input on it if we wish, with a 2 July 2019 deadline.

In a separate informal consultation document, FCNB has also asked some general, high level questions insurance licensing exemptions, which is also related to the Insurance Act Rewrite exercise, which we are invited to provide thoughts on if we wish.

[1] CMRA: Capital Markets Regulatory Authority.

Mr. Weir advised that he did not expect the Insurance Act Rewrite to fundamentally change the rules in New Brunswick around life and accident insurance. There is likely to be more fundamental change in the area of intermediary licensing. The changes will likely include the introduction of a Restricted Insurance Agent license regime, which will include a strong emphasis on the fair treatment of consumers.

Every effort will be made to harmonize to the extent possible with other RIA regimes in Western Canada, but New Brunswick will also attempt to learn from the shortcomings of other regimes and avoid those in its regime, Mr. Weir asserted. While Manitoba, the most recent province to introduce an RIA regime, will be a model of sorts for New Brunswick, there will also be an attempt to raise the bar in New Brunswick around consumer protection. One example is that while a corporate license is being envisioned (i.e. an RIA corporate licensing regime), under which individuals would be covered by the corporate license, New Brunswick would likely want to have the power to be able to ban specific individuals from being covered by that corporate license.

There will likely be a separate consultation document on the proposed RIA licensing regime, likely with a 60-day window for responses, Mr. Weir advised. New Brunswick is still not looking at taking an approach that includes an Insurance Council, which is the approach taken in the Western provinces with an RIA regime.

FCNB will also be looking for enhanced rule-making powers, and CAFII Co-Executive Directors said that they supported this in the Ontario FSRA consultations, and would support this for New Brunswick's Insurance Act Rewrite—which David Weir and Jennifer Sutherland Green said would be much appreciated.

Mr. Weir raised the specific issue of his preference for calling his province's imminent RIA regime an "incidental seller of insurance licensing regime." CAFII's Co-Executive Directors raised our Association's long-standing concerns with calling credit protection insurance "incidental" as it has a pejorative connation. Mr. Weir seemed unconvinced by this line of argument, but said he would welcome receiving our views.

He also noted that only Alberta had a requirement that the application for a loan had to be separate from the application for insurance on that loan, which he seemed to feel was the more appropriate approach to take.

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411 Richmond Street E, Suite 200
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Statement of Operations
As at May 31st 2019

	Current Month	Budget May-19	Variance to Monthly Budget	Current YTD	Budget '19 YTD	Variance Budget to YTD	Budget 2019
Revenue							
Membership Dues	$59,422	$61,422	($2,000)	$305,110	$307,110	($2,000)	$737,064
Luncheon Revenue	$0	$0	$0	$195	$195	$0	$195
Interest Revenue	$83	$3	$80	$123	$12	$111	$33
TOTAL REVENUE	**$59,505**	**$61,425**	**($1,920)**	**$305,428**	**$307,317**	**($1,889)**	**$737,292**
Expenses							
Management Fees	$38,083	$40,167	$2,084	$198,547	$200,833	$2,286	$482,000
CAFII Legal Fees/Corporate Governan	$0	$0	$0	$0	$1,000	$1,000	$1,000
Audit Fees	$1,217	$1,217	$0	$6,284	$6,085	($199)	$14,600
Insurance	$439	$458	$19	$2,197	$2,290	$93	$5,500
Website Ongoing Maintenance	$498	$283	($215)	$1,323	$1,847	$524	$5,330
Telephone/Fax/Internet	$354	$483	$129	$2,781	$2,415	($366)	$5,800
Postage/Courier	$0	$33	$33	$109	$165	$56	$400
Office Expenses	$127	$166	$39	$1,016	$830	($186)	$2,000
Bank Charges	$0	$4	$4	$0	$20	$20	$50
Miscellaneous Expenses	$0	$42	$42	$0	$210	$210	$500
Depreciation Computer/Office Equipm	$95	$100	$5	$473	$500	$27	$1,200
Board/EOC/AGM							
Annual Members Lunch	($37)	$0	$37	$12,052	$12,089	$37	$12,089
Board Hosting (External)	$0	$0	$0	$6,363	$7,500	$1,137	$30,000
Board/EOC/Meeting Expenses	$4,807	$2,600	($2,207)	$26,696	$13,000	($13,696)	$26,000
Industry Events	$0	$0	$0	$0	$0	$0	$1,300
EOC Annual Appreciation Dinner	$0	$0	$0	$2,193	$2,193	($0)	$2,193
Sub Total Board/EOC/AGM	***4,770***	***2,600***	***- 2,170***	***47,304***	***34,782***	***- 12,522***	***71,582***
Provincial Regulatory Visits	$1,786	$8,000	$6,214	$4,170	$8,000	$3,830	$12,000
Research/Studies	$135	$0	($135)	$1,796	$2,000	$204	$5,000
Website SEO and Enhancements	$2,260	$3,333	$1,073	$2,260	$16,667	$14,407	$40,000
Regulatory Model(s)	$0	$0	$0	$3,643	$5,000	$1,357	$25,000
Federal Financial Reform	$0	$0	$0	$0	$0	$0	$500
Media Outreach	$3,910	$2,917	($993)	$13,599	$14,583	$984	$35,000
Marketing Collateral	$0	$1,000	$1,000	$444	$3,000	$2,556	$5,000
Speaker fees & travel	$1,194	$0	($1,194)	$1,194	$700	($494)	$2,000
Gifts	$0	$0	$0	$0	$150	$150	$500
Networking Events	$0	$0	$0	$0	$150	$150	$500
Sub Total Networking & Events	***1,194***	***-***	***- 1,194***	***1,194***	***1,000***	***- 194***	***3,000***
TOTAL EXPENSE	**54,868**	**60,803**	**5,935**	**287,138**	**301,227**	**14,089**	**715,462**
NET INCOME	**4,636**	**622**	**4,014**	**18,289**	**6,090**	**12,199**	**21,830**

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

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

Balance Sheet

As at May 31st 2019

	CAFII Operations			CCBPI Project			Combined		
ASSETS	**31-May 2019**	**30-Apr 2019**	**31-Dec 2018**	**31-May 2019**	**30-Apr 2019**	**31-Dec 2018**	**31-May 2019**	**30-Apr 2019**	**31-Dec 2018**
Current Assets									
Bank Balance	$254,484	$286,729	$193,381	$57,893	$0	$0	$312,377	$286,729	$193,381
Savings Account	$123	$40	$0	$147,364	$152,627	$0	$147,487	$152,667	$0
Accounts Receivable	$4,995	$45,355	$0	$0	$52,630	$0	$4,995	$97,985	$0
Interest Receivable	$0	$0	$0	$0	$0	$0	$0	$0	$0
Prepaid Expenses	21,966	1,575	2,197	$0	$0	$0	$21,966	$1,575	$2,197
Computer/Office Equipment	$8,014	$8,014	$8,014	$0	$0	$0	$8,014	$8,014	$8,014
Accumulated Depreciation -Comp/Equp	($5,079)	($4,984)	($4,605)	$0	$0	$0	($5,079)	($4,984)	($4,605)
Intangible Assets-Trademarks	$0	$0	$0	$0	$0	$0	$0	$0	$0
Accumulated Amortization-Trademark	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Current Assets	**$284,503**	**$336,729**	**$198,986**	**$205,257**	**$205,257**	**$0**	**$489,760**	**$541,986**	**$198,986**
TOTAL ASSETS	**$284,503**	**$336,729**	**$198,986**	**$205,257**	**$205,257**	**$0**	**$489,760**	**$541,986**	**$198,986**
LIABILITIES									
Current Liabilities									
Accrued Liabilities	$7,085	$5,868	$18,409	$0	$0	$0	$7,085	$5,868	$18,409
Account Payable [B]	$8,706	$7,363	$10,379	$0	$0	$0	$8,706	$7,363	$10,379
Deferred Revenue	$80,224	$139,646	$0	$205,257	$205,257	$0	$285,481	$344,903	$0
Total Current liabilities	$96,015	$152,877	$28,788	$205,257	$205,257	$0	$301,272	$358,134	$28,788
TOTAL LIABILITIES	**$96,015**	**$152,877**	**$28,788**	**$205,257**	**$205,257**	**$0**	**$301,272**	**$358,134**	**$28,788**
UNRESTRICTED NET ASSETS									
Unrestricted Net Assets, beginning of year	$170,198	$170,198	$180,447	$0	$0	$0	$170,198	$170,198	$180,447
Excess of revenue over expenses	$18,289	$13,653	($10,248)	$0	$0	$0	$18,289	$13,653	($10,248)
Total Unrestricted Net Assets	$188,488	$183,851	$170,198	$0	$0	$0	$188,488	$183,851	$170,198
Total Unrestricted Net Assets	**$188,488**	**$183,851**	**$170,198**	**$0**	**$0**	**$0**	**$188,488**	**$183,851**	**$170,198**
TOTAL LIABILITIES AND UNRESTRICTED	**$284,503**	**$336,729**	**$198,986**	**$205,257**	**$205,257**	**$0**	**$489,760**	**$541,986**	**$198,986**

Financial Reserves Targets as per 2019 Budget:
Minimum 3 months (25%) of Annual Operating Expenses= **$ 178,866**
Maximum 6 months (50%) of Annual Operating Expenses= **$ 357,731**

Current Level of Financial Reserves (total unrestricted net assets)**:** **$188,488**
Current Level of Financials Reserve (%): **26%**

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Membership Fees
As At May 31st, 2019

	Jan-18		Jul-18	
	To be billed	*Received*	*To be billed*	*Received*
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	
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	
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	
National Bank Life Insurance Company	$ 27,540.00	15-Feb-19	$ 27,539.00	
Manulife Financial	$ 22,000.00	29-May-19	$ 22,000.00	
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 Reinsuranace 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			
Feb Invoices	**$385,334**		**$346,930**	
July Invoices	**$346,930**			
Total Membership Fees	**$732,264**			
Total amount to realocate monthly Jan-Sept	**$ 61,022**			
Total amount to realocate monthly Oct-Dec	**$ 61,022**			

2019 CAFII Budget

	2016 Actual	2017 Actuals	2018 Actuals	2019 Budget Revised	2019 Revised Budget (Apr 2019)	2019 YTD (May 31 19)	2019 Revised Forecast	Comment/Rationale
Revenue								
Membership Dues	$435,750	$475,425	$695,545	$757,904	$737,064	$305,110	$732,264	See breakdown in Member Dues Revenue Tab
Luncheon 2019	$231	$126	$0	$0	$195	$195	$195	
Interest	$231	$126	$0	$0	$33	$123	$360	Interest from the Savings Account
TOTAL REVENUE	**$ 436,212**	**$ 475,677**	**$ 695,545**	**$ 757,904**	**$ 737,292**	**$ 305,428**	**$ 732,819**	
EXPENSE								
Management Fees	$279,042	$442,012	$460,299.15	$482,000	$482,000	$198,547	$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	$6,284	$14,803	Same as 2018 Budget
Insurance	$5,238	$5,238	$5,258	$5,500	$5,500	$2,197	$5,338	Same as 2018 Budget
Website Ongoing Maintenance	$13,060	$42,575	$6,461	$5,330	$5,330	$1,323	$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	$2,781	$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	$1,016	$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	
Depreciation Computer/Office Equipment	$467	$1,564	$1,136	$1,200	$1,200	$473	$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	$26,696	$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**	**$47,304**	**$85,241**	
Provincial Regulatory Visits	$10,395	$11,011	$11,230	$12,000	$12,000	$4,170	$12,000	Same as 2018 Budget
Research/Studies	$1,356	$17,807	$77,345	$60,000	$5,000	$1,796	$5,000	Pollara Proposal on Creditor's insurance research
Website SEO and Enhancements			$21,702	$40,000	$40,000	$2,260	$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 representatiion 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	$13,599	$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		$26,495	$0	$0	$0	$0	$0	Deferred to 2022
(Formerly CAFII 20th Anniversary Celebration)								
		$0	$0	$0	$0	$0	$0	
Networking Events		$350	$0	$500	$500	$0	$500	Same as 2018 Budget
TOTAL EXPENSE	**$ 414,214**	**$ 675,862**	**$ 705,793**	**$ 768,980**	**$ 715,462**	**$ 287,138**	**$ 726,674**	
Excess of Revenue over Expenses	**$21,998**	**($200,185)**	**($10,248)**	**($11,076)**	**$21,830**	**$18,289**	**$6,145**	
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**	**$188,488**	**$165,267**	

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 monhts (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	$165,267
Actual/Forecasted Level of Financial Reserves %:	92%	27%	24%	21%	25%	23%

2019 Operational Budget - Member Dues Breakdown

2018 Member Dues Breakdown

Upper Tier Member	73,438.00	5	367,190.00
DFS	55,079.00	1	55,079.00
Lower Tier Member	36,719.00	4	146,876.00
Initiation Members	44,000.00	2	88,000.00
Associate	4,800.00	8	38,400.00
			695,545.00

2019 (Base) Member Dues Breakdown

Upper Tier Member	73,438.00	6	440,628.00
Lower Tier Member	36,719.00	4	146,876.00
Initiation Members	44,000.00	3	132,000.00
Associate	4,800.00	8	38,400.00
			757,904.00

2019 Operational Budget - Member Dues Breakdown - Revised

2019 Member Dues Breakdown

Upper Tier Member	73,438	6	440,628.00
National Bank	55,079	1	55,079.00
Lower Tier Member	36,719	3	110,157.00
Initiation Members	44,000	2	88,000.00
Associate	4,800	8	38,400.00
			732,264.00

Stikeman Elliott

Stikeman Elliott LLP
Barristers & Solicitors

PRIVILEGED & CONFIDENTIAL

Toronto Memorandum

To: Canadian Association of Financial Institutions in Insurance

From: Michael Kilby / (416) 869-5282
Victoria Hale / (416) 869-5553

Re: CAFII Competition Policies

Date: May ●, 2019

We have carried out a review of CAFII's policies and practices in relation to competition law matters, most notably its Competition Law Policy (the "**Policy**"), its by-laws, and sample meeting agendas and minutes.

By way of background, the Competition Act contains important prohibitions which prevent competitors from agreeing to fix prices, control output, or allocate markets. The Competition Bureau has published *Competitor Collaboration Guidelines* setting out its approach to enforcing these aspects of the Competition Act. Additionally, while the Competition Bureau has not published a formal and final policy for trade associations, in 2008 it published a draft bulletin and in 2015 a list of do's and don'ts, which represent its most up-to-date public statements on best practices for trade associations. The Competition Bureau's basic position is that while trade associations are not inherently problematic under competition law, meetings that facilitate relationships between competitors create the forum, opportunity and temptation to engage in anti-competitive behaviour, and therefore it is appropriate for a trade association to put in place policies and practices to ensure this does not occur.

In short, our view is that CAFII's policies and practices are consistent in all material respects with the Competition Act and with applicable Competition Bureau guidance for trade associations.

With this said, we do note the following the recommendations / suggestions which are intended to further confirm and strengthen CAFII's compliance with the Competition Bureau's guidance for trade associations. These are based also on our experience working with trade associations across various industries. We acknowledge that many of these policies are already practiced by CAFII, but we recommend that CAFII consider formally codifying them in the Policy:

- Agendas – An agenda for all meetings among CAFII members (including committee meetings) must be circulated in advance of the meeting, and members must be given an opportunity to defer or "protest" any agenda items that they believe may give rise to competition law concerns. Meetings must be conducted in a manner consistent with the agenda.

- Meeting minutes – Reasonably detailed meeting minutes, including a note of all participants, arrivals and departures, shall be kept at all meetings among CAFII members. Meeting attendees will be given an opportunity to correct meeting minutes once they are prepared.

- Competition guidance – If a CAFII member expresses concern about an agenda item from a competition law perspective, that member is entitled to seek guidance from its own counsel before the discussion proceeds and members will raise any such concerns with CAFII's competition counsel.

- Collection of information – All information collected to facilitate research conducted by CAFII must be collected on a voluntary basis and no unreasonable disciplinary measures may be used to coerce members to exchange information. If the information required for research is at all

DRAFT: 1- 110069685 v2saved on 5/30/2019 5:16 PM competitively sensitive it should be collected by a third party and should only be shared with CAFII members in an aggregated form, or otherwise be appropriately redacted or anonymized, with input from legal counsel.

- Misleading statements – CAFII, and members on behalf of CAFII, must avoid making misleading statements to the public, as the Competition Act also contains provisions relating to such matters. If research results or policy positions are communicated to the public, they must be communicated in a fair and balanced way.

- Membership and meetings – CAFII membership shall not be unreasonably withheld, and eligibility for membership is based on clear criteria that are aligned with the legitimate objectives of CAFII. No member shall be unreasonably excluded from a CAFII meeting.

- Prioritization of members – None of CAFII's activities will be used to advantage the competitive position of certain members, classes of members, or potential market entrants. All CAFII members, regardless of membership class, will have the same access to all outputs of all CAFII projects (including research, papers, *etc*.), unless the member was given the opportunity to participate in the project and opted out.

- Discipline of members – No CAFII member shall have their membership terminated for anti-competitive reasons (*e.g.* for competing vigorously on price or coming up with a product that is disruptive to traditional markets). We note that this provision may be better suited for inclusion in the by-laws.

- Section 2 of the Policy related to permissible activities should be revised. This section is based upon a section of the *Competition Act* which was amended several years ago, and the language should be updated to reflect the current s.45 of the *Competition Act*.

In addition to the procedures suggested above, we also recommend including CAFII's statement of objectives (a summary of Schedule A to the Certificate of Continuance would suffice) and the location of dispute resolution mechanisms in the preamble of the Policy.

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info@cafii.com www.cafii.com

Agenda Item 3(f)
June 25/19 EOC Teleconference Meeting

From: Déry Patrick <Patrick.Dery@lautorite.qc.ca>
Sent: June-12-19 12:10 PM
To: Brendan Wycks <brendan.wycks@cafii.com>
Cc: Morisset Louis <Louis.Morisset@lautorite.qc.ca>; Pérodeau Frédéric <Frederic.Perodeau@lautorite.qc.ca>; Lebel Philippe <Philippe.Lebel@lautorite.qc.ca>
Subject: Re: Invitation Pour Liaison Déjeuner Et Dialogue Rencontre Avec L'ACIFA: Mardi 1 Octobre 2019 À Montréal

Bonjour Brendan,

Louis will not be able to participate. We'll get in touch shortly with you, once we've discussed among ourselves the proposal, in terms of topics and attendance.

Best regards,

P.

From: Brendan Wycks
Sent: June-07-19 12:56 PM
To: Morisset Louis <Louis.Morisset@lautorite.qc.ca>
Cc: Keith Martin <Keith.Martin@cafii.com>; 'Pérodeau Frédéric' <Frederic.Perodeau@lautorite.qc.ca>; 'Gemme Evelyne' <Evelyne.Gemme@lautorite.qc.ca>; 'Beaulieu Nicole' <Nicole.Beaulieu@lautorite.qc.ca>; Natalie Hill <Natalie.Hill@cafii.com>
Subject: RE: Invitation Pour Liaison Déjeuner Et Dialogue Rencontre Avec L'ACIFA: Mardi 1 Octobre 2019 À Montréal

Merci beaucoup pour la réponse rapide, Louis.

Nous attendrons la réponse de Frédéric Perodeau pour coordonner une réunion ACIFA / AMF à Montréal le mardi 1er octobre.

Sincères amitiés,

Brendan Wycks, BA, MBA, CAE
Co-Executive Director
Canadian Association of Financial Institutions in Insurance
Brendan.wycks@cafii.com
T: 647.218.8243
Alternate T: 647.361.9465
www.cafii.com

From: Morisset Louis <Louis.Morisset@lautorite.qc.ca>
Sent: June-07-19 12:32 PM
To: Brendan Wycks <brendan.wycks@cafii.com>
Subject: RE: Invitation Pour Liaison Déjeuner Et Dialogue Rencontre Avec L'ACIFA: Mardi 1 Octobre 2019 À Montréal

Bonjour Brendan

Merci pour votre courriel. Mon collègue Frédéric Pérodeau prendra contact avec vous pour coordonner le tout. Veuillez noter que je ne pourrai y être en raison d'engagements déjà planifiés le 1er octobre prochain. Mon équipe sera toutefois au rendez-vous.

Meilleures salutations,

Louis

Louis Morisset, LL.B, ASC, C. Dir.
Président-directeur général
President and Chief Executive Officer
Autorité des marchés financiers

Le 5 juin 2019 à 18:11, Brendan Wycks <brendan.wycks@cafii.com> a écrit :

5 juin 2019

Monsieur Louis Morisset

Président-directeur général

Autorité des marchés financiers

Tour de la Bourse, 22e étage

800, rue du Square Victoria

Montréal (Québec) H4Z 1G3

Monsieur,

Le déjeuner et la discussion informelle que les membres du conseil d'administration de l'ACIFA et de notre comité exécutif d'opérations ont eus avec vous et plusieurs membres de votre équipe de direction le 2 octobre 2018 à Montréal ayant été productifs, nous aimerions par la présente vous inviter à vous joindre à nous pour une rencontre et un dialogue similaires cet automne.

Voici les détails de la rencontre que nous proposons:

Date: Mardi 1 octobre 2019

Heure: Midi à 14 h 15

Lieu: Banque Nationale Assurances, Salles à manger d'affaires, 4e étage, 600 de la Gauchetière, Montréal, QC
Programme:

> *-Midi à 13 h: Déjeuner et conversation informelle entre les membres du conseil d'administration de l'ACIFA et Louis Morisset, PDG, et d'autres membres de l'équipe de direction de l'AMF;*
>
> *suivi par*
>
> -13 h à 14 h 15: Dialogue informel entre Louis Morisset/équipe de haute direction de l'AMF et le conseil d'administration/comité exécutif d'opérations de l'ACIFA, mis l'accent sur les principes, les priorités, et l'approche de l'Autorité dans la mise en œuvre la Règlement sur les modes alternatifs de distribution pris en vertu de la Loi sur la distribution de produits et services financieres et de la Loi sur les assureurs; et des autres questions réglementaires d'intérêt mutuel.

Pourriez-vous s'il vous plaît me communiquer votre réponse dès que vous le pourrez, en indiquant si vous êtes en mesure d'accepter notre invitation pour une rencontre de suivi avec CAFII à Montréal le 1 octobre? Et s'il vous plaît avoir quelqu'un dans votre bureau laissez-nous savoir qui de votre équipe sera en mesure de vous joindre à cette réunion.

Veuillez agréer, Monsieur, l'expression de mes sentiments distingués.

Brendan Wycks

Brendan Wycks, BA, MBA, CAE

Co-Directeur général

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

June 5, 2019

Mr. Louis Morisset
Président-directeur général
Autorité des marchés financiers
800, Square Victoria, 22e étage
Tour de la Bourse, Montréal (Québec) H4Z 1G3

Dear Mr. Morisset:

In follow-up to the mutually beneficial lunch and informal discussion which members of the CAFII Board of Directors and Executive Operations Committee had with you and members of your AMF senior management team on October 2, 2018 in Montréal, the purpose of this letter is to invite you and your colleagues to join us for a similar meeting and dialogue this coming Fall.

Here are the details of the luncheon and meeting that we propose:

Date:	Tuesday, October 1, 2019
Time:	12 Noon to 2:15 p.m.
Location:	National Bank Insurance, Executive Dining Rooms, 4th Floor, 600 de la Gauchetiere, Montréal, QC H3B 4L2
Program:	***12 Noon to 1:00 p.m.:*** Luncheon and casual conversation between/among CAFII Board members and Louis Morisset, CEO, and other members of AMF senior management; followed by ***1:00 to 2:15 p.m.:*** Informal dialogue between Louis Morisset/AMF senior management team and CAFII Board of Directors/Executive Operations Committee, with a focus on the AMF's principles, priorities, and approach in implementing the Regulation Respecting Alternative Distribution Methods under the Distribution Act and the Insurers Act in Québec; and other regulatory issues of mutual interest.

We do hope that you will be able to accept this invitation for a follow-up meeting with CAFII in Montréal on Tuesday, October 1, 2019; and, in that connection, ask that you have someone in your office reply at your earliest convenience, along with an indication of who from your team will be able to attend.

Sincerely,

Brendan Wycks

Brendan Wycks, BA, MBA, CAE
Co-Executive Director

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Agenda Item 4(b)
June 25/19 EOC Teleconference Meeting

CAFII Consider Taking Over Of Quarterly CGI Benchmarking Study From Canadian Bankers Association

From: Meyer, Aaron <AMeyer@cba.ca>
Sent: June-12-19 3:15 PM
To: Keith Martin <Keith.Martin@cafii.com>
Cc: Brendan Wycks <brendan.wycks@cafii.com>; Ciappara, Alex <ACiappara@cba.ca>
Subject: RE: Follow up from CAFII

Hi Keith,

We agree an in-person meeting to the discuss the survey is a logical next step. We are available from 1-5pm Thursday June 20 or 9am-12pm Friday June 21. Please let us know if either of these dates/times work for you, and we can send a meeting invite.

Many thanks,
Aaron

Aaron Meyer | Advisor, Consumer & Household Finances, and Mortgage Markets
Conseiller, Consommation, Finances des ménages et Marché hypothécaire

From: Keith Martin <Keith.Martin@cafii.com>
Sent: June 5, 2019 10:49 AM
To: Meyer, Aaron <AMeyer@cba.ca>
Cc: Brendan Wycks <brendan.wycks@cafii.com>
Subject: Follow up from CAFII

Hello Aaron,

We had a CAFII Board meeting yesterday and the Board would like us to move forward in exploring taking over the Credit Protection Insurance benchmarking survey from CBA.

Brendan and I thought the next step would be an in-person meeting with you at your offices, to learn more about the current survey and discuss next steps. Are you available to meet with us, and if so can you propose some dates / times?

Regards,

Keith Martin
Co-Executive Director / Co-Directeur général
Canadian Association of Financial Institutions in Insurance

Background

For a number of years, the Canadian Bankers Association has been producing a quarterly benchmarking report on Creditor 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.

A CAFII Board Member brought to the Association's attention the fact that the CBA communicated the following to its member participants in this study on 16 May 2019:

> *"Consistent with the overall direction that CBA has been given by Executive Council (our Board of Directors), the CBA has made the decision to focus the CBA's work on core advocacy issues and allocate internal resources accordingly. As a result, CBA has made the decision to rationalize our benchmarking activities to reflect the fact that internal human resources have been reallocated from benchmarking to key strategic issues aligned with the organization's strategic plan. Therefore, the CBA has determined that this edition (Q1 2019, as at January 31st) of the Creditor Insurance is the final report that the CBA will produce.*
>
> *"While the CBA will no longer be able to support this report including the proposed updates to the report, if members would like this report to continue into the future with another provider or vendor, CBA staff are willing to work with members to approach vendors that may be able to provide this service on a fee-for-service / subscription basis to participating institutions. We would also provide the vendor information on the work completed to date on updating the Creditor Insurance report. By Friday, May 31st, please indicate if you would like the CBA to approach third party vendors about continuing this report and, if so, who those third parties are. If there is sufficient interest, then we will reach out to possible vendors."*

Opportunity For CAFII

If there is a desire among CAFII members for our Association to do so, taking over from the CBA and managing the continued production of a quarterly benchmarking Creditor Insurance Report, possibly including additional data such as premium rates, would seem to be a natural fit for CAFII, working with an external actuarial firm supplier for quarterly data collection and production of an anonymized, aggregated results report.

Issues to be Resolved

- Does the CAFII Board see value in and desire the continuation of a quarterly creditor insurance benchmarking study, with CAFII as the Association managing it?
- If there is a desire to take over and continue the CBA study, which CAFII members would be involved, both as data respondents and as recipients of the quarterly results report? If CAFII becomes the Association running this study, it might make sense to expand it to include as data respondents the following distributors of creditor insurance: the "Big 6 Banks" FI members;, Desjardins Financial Security (DFS), and non-DFS credit unions (through CUMIS); and to share the quarterly results report with all CAFII members, as CAFII's insurer/underwriter members would certainly also have a keen interest in the results and the insights they provide.
- The fact that both HSBC and Laurentian Bank of Canada participate in the current CBA quarterly benchmarking modestly complicates a hand-off/transition from CBA to CAFII. However, it also gives CAFII some further leverage to invite/persuade those two FIs to become CAFII Initiation Members.
- How should such a quarterly benchmarking study be funded within CAFII, especially in 2019 when it has not been budgeted for?
- What creditor insurance data should be collected in this quarterly benchmarking study if CAFII takes it over? This is an opportunity to see if there are additional data (for example, premium levels) that members would like to see collected.
- If the Board's decision is that CAFII should take over and continue this study, what actuarial firm supplier(s) should we approach?

Recommendations

- That the CAFII Board mandate the Co-Executive Directors to reach out to actuarial firms Towers Watson and RSM Canada with a "mini-RFP" on this initiative.
    - Towers Watson was the recent winner of a CAFII RFP on benchmarking for the Special Project. However, RSM Canada was a bidder on that project, and may consider it unfair if we award this slightly different project to Towers Watson without an opportunity for RMS Canada to bid.
- That the CAFII Board mandate the Co-Executive Directors to reach out to the CBA and communicate our Association's intention to take over this study, and to request its cooperation and support. (Note: Keith Martin has already communicated to the CBA that CAFII is exploring options around this project with the CAFII Board of Directors.)
- After the Co-Executive Directors have conducted their analysis based on this initial mandate, they will issue a brief which lays out options and recommendations for CAFII Board approval.

FTC Stakeholder In-Person Meeting

Canadian Association of Financial Institutions in Insurance (CAFII)

Thursday, June 27, 2019 1:00 PM – 2:30 PM ET

Registered Insurance Brokers of Ontario, 401 Bay St, 12th Floor

Call-in: 416-212-8012/ Toll-free 1-866-633-0848 Participant Code: 2494889#

AGENDA

	ITEM
1.	**Welcome**
2.	**FSRA Update on FTC**
3.	**Clarification – Issues Raised by Industry Participants** • Endorsement by local jurisdiction – follow-up on actions taken • FTC Communiqué • Any other clarifications or interpretations?
4.	**Implementation Progress by Industry Participants** • Industry actions taken to date
5.	**Regulators' Priorities** • Incentives Management – Action plan
6.	*****Insert CAFII Suggested Agenda Item(s)***** • Top-Line Findings of Pollara Strategic Insights' Research Re Consumers' Experiences/Satisfaction With Credit Protection Insurance • Coverage Resulting From CAFII Media Release on Pollara Strategic Insights' Research Results Re Consumers' Experiences/Satisfaction With Credit Protection Insurance • Prescriptive Statements Re "Meaningfully Embedded Throughout Organizations" Implementation Deadline of January 1, 2020 and "Penalties For Non-Compliance" in Alberta Treasury Board and Finance and Alberta Insurance Council Joint Endorsement of CCIR/CISRO FTC Guidance: Other Jurisdictions To Follow Suit?

	• Alignment/concordance between acknowledgement in PEI Superintendent of Insurance's FTC Guidance endorsement that "most, if not all, of the expectations are already contained in existing legislation or are part of accepted industry best practices" and CCIR/CISRO FTC Working Group's focus on "closing of gaps" in progress monitoring meetings with stakeholders
7.	**Next Steps** • Next Quarterly Meeting ○ September 2019

CCIR Information Session

Annual Statement on Market Conduct

June 2019

Agenda

- Data Quality
- Changes to the Form
- Next steps

Data Quality

Tips and Reminders

Be Filing Ready:

- Update your point of contact information
- Ensure you can access your E-Services Account
- Contacts:
  - Your regulatory authority if you are incorporated under provincial legislation.
  - The CCIR at: ccir-ccrra@fsrao.ca if you are a federally or foreign chartered insurer.
  - For technical questions on filing, please e-mail the AMF at infoform.pc-mc@lautorite.qc.ca.

Tips and Reminders

Access to AMF E-Services:

- Contact us if you forget your password
- Verify internal security measures, proxy, firewalls, etc.

Downloading and saving the Annual Statement on Market Conduct (Annual Statement) form:

- The Excel form is available through your AMF E-Services account in your client file under "Market Conduct"
- Instructions on how to download, save and submit your ASMC form is available in the E-Services Guide on Annual Statement webpage

Tips and Reminders

Through E-Services you can:

- Access and download your OWN Annual Statement Form
- View and/or download complaints from last year
- Submit the completed Annual Statement Form
- View or change your contact information

Tips and Reminders

Completing the Annual Statement form:

- First, save your downloaded Excel file using a distinctive name
- Complete the **Identification tab first**
- Complete each question in the form using **proper cell format**
- When copy and pasting data do not copy the cell format
- **Tag all applicable boxes** *(i.e. classes of insurance or distribution channels*
- Read top page instructions or definitions
- Fill all mandatory cells
- Limit completion of the form to one user
- When possible, give details / explanations in the general comments
- Do not hesitate to contact us

Tips and reminders

Special requirements:

- **Only use <u>your own downloadable form</u>, available thru E-Services**
- You must complete the Annual Statement form in the language of your data software (Excel). You must use this same language for the entire form
- You must respect the format required by the Annual Statement form
- The submitted file must not be protected by a password or any other security measure
- Hyperlinks to external documents are prohibited, but hyperlinks within a document are permitted

Changes to the ASMC

Changes for 2019

- Minor changes to increase clarity
- Revision of questions for simplification and clarity
- Added section on Travel Health Insurance

Walk through Changes for 2019

Changes for 2020

- Revise tabs and questions to simplify

- Revise data requested on:
  - Incentives
  - Internet sales

- Account for IFRS 17

Next Steps

Next Steps

July 12, 2019	• Provide written comments on the Annual Statement
September 2019	• Year 4 PDF form available (2020 filing of 2019 data)
Fall 2019	• Consultations on changes to the year 5 Annual Statement (2021 filing of 2020 data)
Jan 1, 2020	• Excel form available for download from E-Services

Contact Information

- Contacts:
  - Your regulatory authority if you are incorporated under provincial legislation.
  - The CCIR at: ccir-ccrra@fsrao.ca if you are a federally or foreign chartered insurer.
  - For technical questions on filing, please e-mail the AMF at infoform.pc-mc@lautorite.qc.ca.

2019

001 SELECT LANGUAGE

ANNUAL STATEMENT ON MARKET CONDUCT

Life and Health Insurance

010	Insurer name:	#N/A
020	Client number:	
025	Financial Group, if applicable:	
030	Name of the Market Conduct contact person:	
031	Title:	
032	Address:	
033	Telephone number:	
040	Email:	
060	Jurisdiction of incorporation:	
070	If "Foreign", Country or State:	

Provinces and territories in which the organization is licensed:

	(01)		(02)		(03)	
080	Alberta	☐	Northwest Territories	☐	Quebec	☐
081	British Columbia	☐	Nova Scotia	☐	Saskatchewan	☐
082	Manitoba	☐	Nunavut	☐	Yukon	☐
083	New Brunswick	☐	Ontario	☐		
084	Newfoundland and Labrador	☐	Prince Edward Island	☐		

090 **Are you offering new insurance contracts (including renewals)?**

What classes of insurance are you offering?

		(01)		(02)		(03)
110	Life - Individual	☐	Accident & Sickness - Individual	☐	Annuities - Individual	☐
111	Life - Group	☐	Accident & Sickness - Group	☐	Annuities - Group	☐

Are you offering Travel Health Insurance?

		(01)
115	Travel Health Insurance - Individual	☐
116	Travel Health Insurance - Group	☐

What Distribution Channels are you using?

		(01)
121	Independent Channels	☐
120	Direct or Exclusive Channels	☐
122	Other Distribution Channels	☐
123	Sold by Internet (Full Online Sale Process)	☐

General comments:

140

2. GOVERNANCE

DEFINITIONS

The "reference period*" is the fiscal year for which the statement is filled.

Question 2: "Total number of employees*" includes all types of employees (full time, contractual, etc.). It does not include employees from other organizations in your Financial Group.

Questions 7.1 and 7.2: "Audit(s)/review(s)*" refer to those conducted by the insurer and include, but are not limited to, examinations, compliance reviews, internal audits and other assessments of market conduct.

Question 7.4: A product is considered to be "sold by Internet*" if the entire sale process is completed through the Internet. Obtaining an online quote is not considered an Internet sale. If a sale is completed by a licensed agent after the customer obtains information/price from a website, it is not considered an Internet sale either.

Question 9: "Organizational or operational changes*" include mergers and acquisitions or other material changes within the insurer that may impact or affect the outcomes associated with Fair Treatment of Customers as described by the International Association of Insurance Supervisors (IAIS).

		(01)
170	**2. Indicate the "total number of employees*" in your organization:**	
185	**Do you have employees with primary responsibilities related to the oversight of Fair Treatment of Customers:**	Yes

		(01)
190	**3. Do you have a standalone documented code or policy that specifically addresses the Fair Treatment of Customers?**	
	If yes, answer the questions below:	
200	When did the board of directors last review and approve your code or policy?	
210	When did you last communicate this code or policy to all of your staff?	
	If no, answer the question below:	
220	When do you intend to develop such a code or policy?	

Drop-down menu
Less than a year
Between 1 to 2 years
More than 2 years
Not planned

		(01)
230	**4. Is the Fair Treatment of Customers a priority at each stage of the product life cycle and in every area of your operations?**	
	If yes, indicate if you document the following practices:	
240	Develop strategies, objectives and initiatives to promote the Fair Treatment of Customers	
250	Embed the Fair Treatment of Customers in the organization’s policies and code of ethics	
260	Develop mechanisms and procedures to identify and address any conflicts that could impact the Fair Treatment of Customers	
270	Develop measures and reports to inform management of the organization’s performance in the Fair Treatment of Customers	
	If no, explain why the Fair Treatment of Customers is not a priority of each stage at the product life cycle and in every area of your operations in the space below:	
280		

		(01)
288	**5. Do you train employees with respect to the Fair Treatment of Customers:**	Yes

7. Fill sections that reflect the methods of distribution used by your organization:

	7.1 Independent Channels	**Agents**	**Firms**
		(01)	(02)
330	Indicate the total number of distribution contracts		
350	Indicate the total number of reviews or audits conducted during the "reference period*" that included a focus on Fair Treatment of Customers		

	7.2 Direct or Exclusive Channels	**Agents**	**Firms**
		(01)	(02)
380	Indicate the total number of distribution contracts		
400	Indicate the total number of reviews or audits conducted during the "reference period*" that included a focus on Fair Treatment of Customers		

7.3 Other Distribution Channels

Provide details on the other distribution channels

		(01)
422		
423	Indicate the total number of distribution contracts	
424	Indicate the total number of reviews or audits conducted during the "reference period*" that included a focus on Fair Treatment of Customers	

7.4 Distribution of products sold through Internet (full online sale process)

		(01)
425	Indicate the total number of reviews or audits conducted during the "reference period*" that included a focus on Fair Treatment of Customers	

	8. Is each element listed below provided before or at the time of sale and do you have processes / mechanisms in place to ensure that it is addressed:	(01)
430	Insurer name and contact information	Information not disclosed or not complied with
440	Product and its main features	Information disclosed or complied with but no mechanism in place
450	Suitability risks associated with the product	Information disclosed or complied with and mechanism in place
460	Right of termination or rescission	Not active in sale
470	Clear, plain language communication that is not misleading	Not applicable
480	Formatting that is easy to read and understand	
490	Up-to-date information provided in a timely manner	
500	Potential conflicts of interest	

	9. Is each type of information listed below provided after the sale and do you have processes / mechanisms in place to ensure that it is addressed:	(01)
510	Confirmation of any after-sale transactions	
520	Annual statements for IVICs and life products with variable elements	
530	Contract amendements	
540	Customer rights and obligations in connection to any material changes in the product that was sold or offered	
550	Changes in the environment that may impact the product (e.g., legislative changes)	
560	Organizational or operational changes* that may impact the customer, product or related services	

		(01)
570	**10. Do you engage in advertising campaigns directed towards customers?**	Yes

		(01)
650	**11. Do you conduct customer satisfaction surveys?**	
	If yes, were the following conducted?	
660	Sale	Yes
670	Claim	No
680	Complaint	
690	Other	

	General comments:
700	

3. POLICIES

DEFINITIONS

The "reference period*" is the fiscal year for which the statement is filled.

Enter data for individual policies and group policies in their respective tables.

Except for the "Number of Policies in Force at the End of the Previous Reference Period", all of the information requested is for the reference period.

"Annuities*", includes all types of annuity contracts, such as :
-Variable Annuity (Segregated Funds);
-Certain Annuity;
-Deferred Annuity;
-Guaranteed Anuity;
-Indexed Annuity;
-Life Annuity.

It also includes Guaranteed Interest Accounts (GIAs).

"Main guarantee*": indicate the number of insurance contracts according to the main guarantee (e.g. 1 individual long-term care insurance policy with life insurance = Only 1 policy for the purposes of this table).

INDIVIDUAL POLICIES

	Class of Insurance (Main Guarantee)*	Number of Policies in Force at the End of the Previous "Reference Period*"	Number of New Policies Issued	Number of Insurance Applications Received	Number of Applications Declined by Insurer	Number of Customer Initiated Cancellations During the "Free Look" Period	Number of Customer Initiated Cancellations Excluding the "Free Look" Period (Including Lapses)	Number of Insurer Initiated Cancellations			Number of Policies in Force at the End of the "Reference Period*"
								Without any Refund of Premium	With Fully Refunded Premiums	With Prorated and Short-rated Premiums	
		(01)	(03)	(02)	(04)	(05)	(06)	(07)	(08)	(09)	(10)
010	Life										
020	Accident & Sickness										
030	Annuity*										
049	TOTAL	0	0	0	0	0	0	0	0	0	0

		GROUP POLICIES			
		Number of Certificates in Force at the End of the Previous "Reference Period*"	Number of New Certificates Issued	Number of Certificates Cancelled or Terminated due to Contract	Number of Certificates in Force at the End of the "Reference Period*"
		(01)	(03)	(04)	(05)
060	Life				
070	Accident & Sickness				
080	Annuity*				
099	TOTAL	0	0	0	0

	General comments:
110	

4. PRODUCTS - INDIVIDUAL LIFE AND ACCIDENT AND SICKNESS

DEFINITIONS

(01) List the name of the products offered for sale during the reference period.

(02) Indicate the main guarantee* of the product offered.

(05) Main Type of Change to be reported are limited to material changes initiated by the insurer or are the result of a decision made by the insurer. It excludes regulatory required changes. The "reference period" is the fiscal year for which the statement is filled.

(08) Examples of review with a focus on Fair Treatment of Customers: disclosure to customers, distribution strategies, promotional material, etc.

List all existing products offered

	Name of the Product Offered (One Line per Product)	Class of Insurance (Main Guarantee)*	Main Type of Change in the Reference Period	Reviewed With a Focus on Fair Treatment of Customers?
	(01)	(02)	(05)	(08)
030		Life	No change	Yes
040		Accident & Sickness	Product features	No
050			Pricing	
060			Product features & pricing	
070			New product	
080			Discontinued product	
090			Target market	
100			Other type of change (specify in general comments)	
110				
120				
130				
140				
150				
160				
170				
180				
190				
200				
210				
220				
230				
240				
250				
260				
270				
280				
290				
300				
310				
320				
330				
340				
350				
360				
370				
380				
390				
400				
410				
420				
430				
440				
450				

460				
470				
480				
490				
500				
510				
520				
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630				
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680				
690				
700				
710				
720				

	General comments:
730	

5. PRODUCTS - GROUP LIFE AND ACCIDENT AND SICKNESS

DEFINITIONS

(01) List the name of the products offered for sale during the reference period.

(02) Indicate the main guarantee* of the product offered.

(05) Main Type of Change to be reported are limited to material changes initiated by the insurer or are the result of a decision made by the insurer. It excludes regulatory required changes. The "reference period" is the fiscal year for which the statement is filled.

(08) Examples of review with a focus on Fair Treatment of Customers: disclosure to customers, distribution strategies, promotional material, etc.

List all existing products offered

	Name of the Product Offered (One Line per Product)	Class of Insurance (Main Guarantee)*	Main Type of Change in the Reference Period	Reviewed With a Focus on Fair Treatment of Customers?
	(01)	(02)	(05)	(08)
030				
040				
050				
060				
070				
080				
090				
100				
110				
120				
130				
140				
150				
160				
170				
180				
190				
200				
210				
220				
230				
240				
250				
260				
270				
280				
290				
300				
310				
320				
330				
340				
350				
360				
370				
380				
390				
400				
410				
420				
430				
440				
450				

6. PRODUCTS - INDIVIDUAL ANNUITIES

DEFINITIONS

(01) List the name of the products offered for sale during the reference period.

(02) Indicate the main guarantee* of the product offered.

(05) Main Type of Change to be reported are limited to material changes initiated by the insurer or are the result of a decision made by the insurer. It excludes regulatory required changes. The "reference period" is the fiscal year for which the statement is filled.

"Annuities", includes all types of annuity contracts, such as :
-Variable Annuity (Segregated Funds);
-Certain Annuity;
-Deferred Annuity;
-Guaranteed Anuity;
-Indexed Annuity;
-Life Annuity.

It also includes Guaranteed Interest Accounts (GIAs).

(08) Examples of review with a focus on Fair Treatment of Customers: disclosure to customers, distribution strategies, promotional material, etc.

List all existing products offered

	Name of the Product Offered (One Line per Product)	Class of Insurance (Main Guarantee)*	Main Type of Change in the Reference Period	Reviewed With a Focus on Fair Treatment of Customers?
	(01)	(02)	(05)	(08)
030				
040				
050				
060				
070				
080				
090				
100				
110				
120				
130				
140				
150				
160				
170				
180				
190				
200				
210				
220				
230				
240				
250				
260				
270				
280				
290				
300				
310				
320				
330				
340				
350				
360				
370				
380				
390				
400				

DEFINITIONS

6.5 PRODUCTS - GROUP ANNUITIES

(01) List the name of the products offered for sale during the reference period.

(02) Indicate the main guarantee* of the product offered.

(05) Main Type of Change to be reported are limited to material changes initiated by the insurer or are the result of a decision made by the insurer. It excludes regulatory required changes. The "reference period" is the fiscal year for which the statement is filled.

"Annuities", includes all types of annuity contracts, such as :
-Variable Annuity (Segregated Funds);
-Certain Annuity;
-Deferred Annuity;
-Guaranteed Anuity;
-Indexed Annuity;
-Life Annuity.

It also includes Guaranteed Interest Accounts (GIAs).

(08) Examples of review with a focus on Fair Treatment of Customers: disclosure to customers, distribution strategies, promotional material, etc.

List all existing products offered

	Name of the Product Offered (One Line per Product)	Class of Insurance (Main Guarantee)*	Main Type of Change in the Reference Period	Reviewed With a Focus on Fair Treatment of Customers?
	(01)	(02)	(05)	(08)
030				
040				
050				
060				
070				
080				
090				
100				
110				
120				
130				
140				
150				
160				
170				
180				
190				
200				
210				
220				
230				
240				
250				
260				
270				
280				
290				
300				
310				
320				
330				
340				
350				
360				
370				
380				
390				
400				

7. PREMIUMS AND COMMISSIONS

DEFINITIONS

All amounts reported must be in thousands of dollars.

References to the Quarterly Return / Annual Supplement: To specify the nature of the requested data, you will find below references to the Quarterly Return. However, note that the data to be provided in this form are not exactly the same as the Quarterly Return. The requested information in this table is non-consolidated and must be provided by distribution channel.

The information to be reported in this tab excludes reinsurance.

Question 3: A product is considered to be "sold by Internet*" if the entire sale process is done by Internet. Obtaining an online quote is not considered an Internet sale. If a sale is completed by a licensed agent after the consumer obtains information or a price from a website, it is not considered as an Internet sale either.

"Annuities*", includes all types of annuity contracts, such as :
-Variable Annuity (Segregated Funds);
-Certain Annuity;
-Deferred Annuity;
-Guaranteed Anuity;
-Indexed Annuity;
-Life Annuity.

It also includes Guaranteed Interest Accounts (GIAs).

1. Premiums and commissions by distribution channel (in thousands of dollars - non-consolidated data)									
	Class of Insurance	Direct Premiums Written Reference to the Quarterly Return / Annual Supplement: Schedule 95.010 - Row (520) "Direct" / column (23) "Total In Canada"				Total of Commissions in Relation to Direct Premiums Written Reference to the Quarterly Return / Annual Supplement: Schedule 45.010 - Row (349) "Total Direct Commissions" Provide non-consolidated data only			
		Independent Channels	Direct or Exclusive Channels	Other Distribution Channels	TOTAL ($000)	Independent Channels	Direct or Exclusive Channels	Other Distribution Channels	TOTAL ($000)
		(01)	(02)	(03)	(19)	(04)	(05)	(06)	(49)
	Life								
010	Individual				0				0
020	Group				0				0
039	Subtotal	0	0	0	0	0	0	0	0
	Accident & Sickness								
040	Individual				0				0
050	Group				0				0
069	Subtotal	0	0	0	0	0	0	0	0
	Annuity*								
070	Individual				0				0
080	Group				0				0
099	Subtotal	0	0	0	0	0	0	0	0
109	**TOTAL (in thousands of dollars)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

		(01)
140	3. Do you sell products through the Internet?	

If yes, please provide the following information for direct sales:

		(01)
160	Number of policies sold	
170	Direct premiums (in thousands of dollars)	

	General comments:
180	

8. DISTRIBUTORS - LIFE AND ACCIDENT AND SICKNESS

DEFINITIONS

All amounts reported must be in thousands of dollars.

Enter data for individual policies and group policies in their respective tables.

Information on your top 25 distributors (determined by Direct Premiums Written amount) is to be reported in this section.

If a distributor has several locations, those should be considered and reported as one distributor.

(03) New Direct Premiums Written during the reference period (Individual policies) or Direct Premiums Written during the reference period (Group policies). Indicate the percentage of the insurer's premium volume attributed to the distributor.

(07) "Loan" does not include advancement of commissions. If no loan is granted to a distributor listed, please indicate 0.

(08) If you are not participating in the distributor's equity, please indicate 0.

INDIVIDUAL POLICIES

	Top 25 Distributors	% of Total New Direct Premiums Written	Distribution Channel	Exclusivity Clause?	($000) Loans* to Distributor	Participating % in Distributor's Equity	Minimum Volume Clause?	First Refusal Right Over Distributor?	Other Types of Advantages?	Last Compliance Review Conducted
	(01)	(03)	(04)	(05)	(07)	(08)	(09)	(10)	(11)	(13)
010		0-5%	Direct or exclusive agents	Yes			Yes	Yes	Yes	Not applicable
020		6-10%	Independent agents	No			No	No	No	Less than a year
030		11-15%	MGA							Between 1 to 2 years
040		16-20%	Other - specify in comments							More than 2 years
050		21-40%	National Accounts							
060		41-60%								
070		61-75%								
080		76-85%								
090		86-100%								
100										

110										
120										
130										
140										
150										
160										
170										
180										
190										
200										
210										
220										
230										
240										
250										

GROUP POLICIES

	Top 25 Distributors	% of Total Direct Premiums Written	Distribution Channel	Exclusivity Clause?	($000) Loans* to Distributor	Participating % in Distributor's Equity	Minimum Volume Clause?	First Refusal Right Over Distributor?	Other Types of Advantages?	Last Compliance Review Conducted
	(01)	(03)	(04)	(05)	(07)	(08)	(09)	(10)	(11)	(13)
260										
270										
280										
290										
300										
310										
320										
330										
340										
350										
360										

370										
380										
390										
400										
410										
420										
430										
440										
450										
460										
470										
480										
490										
500										

	General comments:
520	

8.4 DISTRIBUTORS - ANNUITIES

DEFINITIONS

All amounts reported must be in thousands of dollars.

Enter data for individual policies and group policies in their respective tables.

Information on your top 25 distributors (determined by Total Assets under administration) is to be reported in this section.

If a distributor has several locations, those should be considered and reported as a whole.

(03) Total Assets under administration during the reference period. Indicate the percentage of the insurer's assets attributed to the distributor.

(07) "Loan" does not include advancement of commissions. If no loan is granted to a distributor listed, please indicate 0.

(08) If you are not participating in the distributor's equity, please indicate 0.

INDIVIDUAL POLICIES

	Top 25 Distributors	% of Total Assets Under Administration	Distribution Channel	Exclusivity Clause?	($000) Loans* to Distributor	Participating % in Distributor's Equity	Minimum Volume Clause?	First Refusal Right Over Distributor?	Other Types of Advantages?	Last Compliance Review Conducted
	(01)	(03)	(04)	(05)	(07)	(08)	(09)	(10)	(11)	(13)
010										
020										
030										
040										
050										
060										
070										
080										
090										
100										
110										
120										
130										
140										

160										
170										
180										
190										
200										
210										
220										
230										
240										
250										

GROUP POLICIES

	Top 25 Distributors	% of Total Assets Under Administration	Distribution Channel	Exclusivity Clause?	($000) Loans* to Distributor	Participating % in Distributor's Equity	Minimum Volume Clause?	First Refusal Right Over Distributor?	Other Types of Advantages?	Last Compliance Review Conducted
	(01)	(03)	(04)	(05)	(07)	(08)	(09)	(10)	(11)	(13)
260										
270										
280										
290										
300										
310										
320										
330										
340										
350										
360										
370										
380										
390										
400										

410										
420										
430										
440										
450										
460										
470										
480										
490										
500										

	General comments:
520	

9. SALES AND INCENTIVES MANAGEMENT

DEFINITIONS

For all questions: list only the incentives that are provided by the insurer. Compensation practices of any entity distributing the product of the insurer are excluded.

"Annuities*", include all types of annuity contracts, such as :
-Variable Annuity (Segregated Funds);
-Certain Annuity;
-Deferred Annuity;
-Guaranteed Anuity;
-Indexed Annuity;
-Life Annuity.

It also includes Guaranteed Interest Accounts (GIAs).

1. This question is limited to the direct sales force (direct or exclusive channels)

Excluding sales force whose remuneration is fully variable:

1.1 List by the classes of insurance, the average of commissions paid (% of first annual premium) to your direct salaried sales force within the first year of the policy being in force:

		(01)
	Life	**(%)**
010	Individual	
020	Group	
	Accident & Sickness	**(%)**
030	Individual	
040	Group	
	Annuity*	**(%)**
050	Individual	
060	Group	

1.2 List by the classes of insurance, the average of commissions paid (% of renewal premium) to your direct salaried sales force within the second year of the policy being in force:

		(01)
	Life	**(%)**
070	Individual	
080	Group	
	Accident & Sickness	**(%)**
090	Individual	
100	Group	
	Annuity*	**(%)**
110	Individual	
120	Group	

Questions 2. and 3. apply to all distribution channels

2. For sales force and sales management, indicate if your organization offers the following incentives:

		(01)	(02)
		Sales Force	**Sales Management**
130	Cash prizes or other gifts		
140	Money loan		
150	Profit sharing		
160	Bonus		
170	Other, specify in the space below:		
180			

		(01)	(02)
		Performance Measures	**Incentives or Commissions**
190	Number of lapses		
200	Number of complaints		
210	Premium volume		
220	Claims volume		
230	Consumer satisfaction		
240	Number of post-sale consumers touche points		

3. For sales force only, indicate whether performance measures and incentives or commissions consider the following:

3.1 Provide details of any other sales force performance measures and incentives or commissions you have that are based on the Fair Treatment of Customers:

250

General comments:

260

9.5 SALES AND INCENTIVES MANAGEMENT (LAPSES)

DEFINITIONS

For "Lapses", identify the number of policies.

First-year lapses include policies that lapsed during the first 365 days of the policies being in force. The lapse has to have occurred in the reference period.

5. Number of lapses

	Class of Insurance (Main Guarantee)*	Distribution Channel							
		FIRST YEAR				SECOND YEAR			
		Independent Channels	Direct or Exclusive Channels	Other Distribution Channels	TOTAL NUMBER	Independent Channels	Direct or Exclusive Channels	Other Distribution Channels	TOTAL NUMBER
		(01)	(02)	(03)	(19)	(04)	(05)	(06)	(49)
	Life								
010	Individual				0				0
020	Group				0				0
039	Subtotal	0	0	0	0	0	0	0	0
	Accident & Sickness								
050	Individual				0				0
060	Group				0				0
079	Subtotal	0	0	0	0	0	0	0	0
099	**TOTAL NUMBER**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

	General comments:
110	

10. CLAIMS

DEFINITIONS

Question 1:
The information requested in this section is limited to claims that have been initiated for policies that are or were in force at the time the claim was incurred.

A claim is considered opened* or reported when the insurer has all the documents required to process the claim. The purpose of this question is to determine the processing time of a claim. If the date of receipt of the documents is not available, please use your average time to receive the documents to determine when the claim is "opened" or “reported” and indicate in the "General Comments" box the method used to determine the date of receipt of the documents.

"Amount paid in benefits during the period" is limited to claims that have been closed*.

A claim is considered denied* if the insurer refuses to pay any amount of the claim. In those cases, no indemnity payment is made but payment of certain fees (expert fees, claim adjuster fees, etc.) may be made.

"Average days to final payment" does not include periodic payments (ex. long-term disability) or payments made in installments.

For "Number of claims closed within (period) days from date of claim reported", the initial payment of a periodic payment / first installment of a payment is to be reported.

"Accident and Sickness" is limited to short-term disability, long-term disability and travel insurance-related information.

Annuity is limited to death benefit payments.

Question 2:
The information sought is limited to complete denials of claims.

Question 4:
Only lawsuits between a customers and an insurer regarding an insurance policy must be reported in this section. Subrogation proceedings are excluded, i.e. the proceedings taken to recover the amount of indemnity paid against the person responsible for the loss or his/her insurer.

"Annuities", include all types of annuity contracts, such as : Variable Annuity (Segregated Funds); Certain Annuity; Deferred Annuity; Guaranteed Anuity; Indexed Annuity; Life Annuity.

It also includes Guaranteed Interest Accounts (GIAs).

1. Complete the table	Life		Accident & Sickness		Annuity*	
	Individual	Group	Individual	Group	Individual	Group
	(01)	(02)	(03)	(04)	(05)	(06)
010 Number of open* claims at the beginning of the period	98					
020 Number of new claims opened* during the period	45					
030 Number of claims closed* with an indemnity payment during the period	15					
035 Amount paid in benefits during the period						
040 Number of claims denied* during the period	32					
049 Claims closed for other reasons during the period Explain any difference (+/-) in the general comments	-5	0	0	0	0	0
050 Number of open* claims at the end of the period	101					
060 As primary insurer, average days to final payment*						
070 Number of claims closed* within 0-90 days from date of claims reported						
080 Number of claims closed* within 91-180 days from date of claims reported						
090 Number of claims closed* within 181-365 days from date of claims reported						
100 Number of claims closed* over 365 days from date of claims reported						

	2. Please indicate the three main reasons for denial of claims during the reference period and the total number of denials for the three reasons selected:		
		(01)	(02)
110	Exclusions and limitations in the policy	☐	
120	Delay in submitting claim	☐	
130	Not covered, except for exclusions and limitations in the policy	☐	
140	Failure to disclose or misrepresentation of a material facts upon subscription	☐	
150	Other, please specify in the space below	☑	
	Specify the "other" main reasons for denial of claims:		
160			

4. Lawsuits:

		(01)
170	Number of lawsuits outstanding at beginning of the period	
180	Number of new lawsuits opened during the period	
190	Number of lawsuits closed, by pre-court settlements	
200	Number of lawsuits closed, by Court judgment	
210	Number of certified class action lawsuits outstanding at the beginning of the period	
220	Number of new certified class action lawsuits opened during the period	

General comments:

230	

11. COMPLAINT EXAMINATION

DEFINITIONS

	1. Identify the senior officer(s) responsible for complaints handling at the end of the reference period:	
001	☐	Check this box if no senior officer is in charge:
002	☐	Check this box if one of the senior officer is also your Market Conduct contact person (no need to fill this contact)
		(01)
010	Name of the senior officer:	
020	Title:	
030	Address:	
040	Telephone number:	
050	Email:	
060	Name of the senior officer:	
070	Title:	
080	Address:	
090	Telephone number:	
100	Email:	
110	Name of the senior officer:	
120	Title:	
130	Address:	
140	Telephone number:	
150	Email:	

	2. Indicate if the following are present within your organization:	
		(01)
160	Documented complaint handling policies and procedures guideline	
170	Complaint handling unit or department	
180	Reporting mechanism regarding aggregated complaints on a periodic basis to management and the board of directors	
190	Ongoing training program for staff whose activities include complaint handling	

	3. At what stage of your complaint process do you report a complaint to the regulator:
200	

		(01)
210	**4. Do you have complaints to report (new complaints or complaints opened during a previous reference period)? If yes, please complete the next tab (11.6)**	Yes

	General comments:
220	

11.6 COMPLAINT REPORTING

DEFINITIONS

Complaints declared and not closed in a previous reference period ("Opened complaints") have been downloaded into your Form, when applicable.

It is your responsibility to ensure that all your Open complaints are reflected in the Annual Statement for the period of reference.

Open complaints must be updated and reported each year until closed. A downloaded open complaint from a previous reference period, should never be erased in the Form, even if no change.

	INFORMATION ABOUT THE COMPLAINT				IDENTIFICATION OF THE PRODUCT RELATED TO COMPLAINT								
	Insurer's Complaint Reference Number	Complainant's Postal Code (first three characters are required)	Complaint File Opening Date	Complaint File Closing Date (if applicable)	Class of Insurance	If Other, Specify	Type of Product	Distribution Channel	Complaint Category	Cause for Complaint	Result of Complaint Examination	Did the Complaint Result in a Lawsuit (at of the end of the reference period)?	Comments or any additional information
	(01)	(02)	(03)	(04)	(06)	(07)	(08)	(09)	(10)	(11)	(12)	(13)	(15)
001													
002													
003													
004													
005													
006													
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040													
041													
042													

71.0 TRAVEL HEALTH INSURANCE

DEFINITIONS

For the purposes of this Annual Statement, "Travel Health Insurance" means any product containing health coverages pertaining to out-of-country travel. Trip cancellation/interruption for health-related reasons is to be included if the claim is in respect of a health-related issue of the insured. Insurance products sold to visitors, students living temporarily in Canada and expatriates are excluded. Furthermore, Administrative Services Only (ASO) plans and trip cancellation/interruption plans that do not have a travel health component are excluded. If an individual product includes a non-health related component and it is not possible to split the premium (ex. group insurance) then the total figure should be included.

POLICIES (01) Except for the "Number of Policies in Force at the End of the Previous Reference Period", all of the information requested is for the "Reference Period". The "Reference Period" is the fiscal year for which the statement is filled.

PREMIUMS (19) Note that data reported in this column will not perfectly align with the Quarterly Return / Annual Supplement as it should be reported here by distribution channel and on a non-consolidated basis. All amounts reported must be in thousands of dollars.

Reinsurance must be excluded from the numbers provided.

PRODUCT refers to those available for sale during the "Reference Period".

Renewals of group/credit card policies are not considered to be "new". If a new policy or new certificate must be issued with a change, such as a change in credit card type, then it should be captured under "new".

PRODUCTS (090) A product is considered unique and must be reported separately if it has a distinct contract number. For example, two different credit cards that have the same group benefit contract number are considered a single product.

Directly purchased top-ups to credit card embedded travel health insurance coverages are to be captured separately under "Individual Policies".

CLAIMS information requested in this section is limited to claims that have been initiated in the "Reference Period".

A claim is considered opened* or reported upon receipt of the first document or contact by an insured wishing to submit a claim.

"Amount paid in benefits during the "Reference Period"" is limited to indemnity payouts for claims that have been closed.

A claim is considered denied* if there is no indemnity payment made in respect of any of the items claimed.

COMPLAINTS Report only complaints that have been escalated to the Ombudsperson or Chief Claims Officer.

	Type of Product	POLICIES/CERTIFICATES								PREMIUMS
		Number of Policies/Certificates in Force at the End of the Previous "Reference Period*"	Number of Insurance Applications Received	Number of Applications Selected for Second Line Underwriting	Number of New Policies/Certificates Issued	Number of Applications Declined by Insurer	Number of Customer Initiated Cancellations During the "Free Look" Period	Number of Insurer Initiated Cancellations with Full Refund of Premium	Number of Policies/Certifcates in Force at the End of the Current "Reference Period*"	Direct Premiums Written TOTAL (in thousands of dollars)
		(01)	(02)	(21)	(03)	(04)	(05)	(08)	(09)	(19)
010	Individual Policies									
029	Group Policies	0	0	0	0	0	0	0	0	0
030	Credit Card									
040	Employee Group Benefit Plans									
050	Other: specify in the box below (line 080):									
069	TOTAL	0	0	0	0	0	0	0	0	0

If other (line 050), specify in the box below:
080

PRODUCTS

	Complete the table	Individual Policies	Group Policies		
			Credit Card	Employer Benefit	Other
		(01)	(21)	(22)	(23)
090	How many Travel Health Insurance products does the company offer?				
100	Number of Travel Health Insurance products offered that have been reviewed to ensure they meet the recommendations outlined in the CCIR Travel Health Insurance Products Position Paper.				

CLAIMS

	Complete the table	Individual Policies	Group Policies		
			Credit Card	Employer Benefit	Other
		(01)	(21)	(22)	(23)
110	Number of open* claims at the end of the previous "Reference Period".				
120	Number of new claims opened* during the current "Reference Period".				
130	Number of claims closed* with an indemnity payment during the "Reference Period".				
140	Amount paid in benefits during the current “Reference Period.” Please include indemnity payments only.				
150	Number of claims denied* in the current "Reference Period".				
160	Number of claims open* at the end of the current "Reference Period".				
170	As primary insurer, average days from claim opened to final payment.				

	COMPLAINTS				
	Complete the table	Individual Policies	Group Policies		
			Credit Card	Employer Benefit	Other
		(01)	(21)	(22)	(23)
180	How many complaints were received in respect of Travel Health Insurance products during the current “Reference Period?”				

	General comments:
190	

Credit Protection Insurance

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

pollara strategic insights

February 2019

Study Objectives and Methodology

- The Canadian Association for Financial Institutions in Insurance (CAFII) would like to get a better understanding of Canadian consumers' views of Credit Protection Insurance.

- The specific objectives of this study are to quantitatively test:
  - The general perception of Credit Protection Insurance on a number of factors, including value for money and ability to cover expenses
  - Experience and satisfaction with purchasing Credit Protection Insurance
  - Level of confidence in Credit Protection Insurance in the event of a claim
  - Experience and satisfaction with the claim's process
  - Incidence of making a claim on Credit Protection Insurance
- Survey conducted nationally between **October 3rd and 16th, 2018**, using an online methodology.

- Stratified sample among **1,490* Canadians aged 18 and over, who fit into the following categories :**
  - Who have a mortgage or Home Equity Line of Credit and <u>currently have</u> Credit Protection Insurance: N= 1003
  - Who have a mortgage or Home Equity Line of Credit and <u>do not have</u> Credit Protection Insurance: N = 424
  - Who have made a credit protection insurance claim: N = 286

Key Takeaways

A strong majority of Canadians who own credit protection insurance (CPI) believe that these products are an affordable, convenient and effective way of protecting themselves and their families in case of certain unexpected events

- In addition, most CPI holders do not know what they would do without it should something happen to them and/or their family, further illustrating the importance of these products

CPI holders are highly satisfied with the purchase process overall and are confident in their knowledge of these products (i.e. payout amounts and policy terms)

- High levels of purchase satisfaction and policy knowledge are being driven by sharing of quality information by representatives of financial institutions vs. information outlined in CPI documents

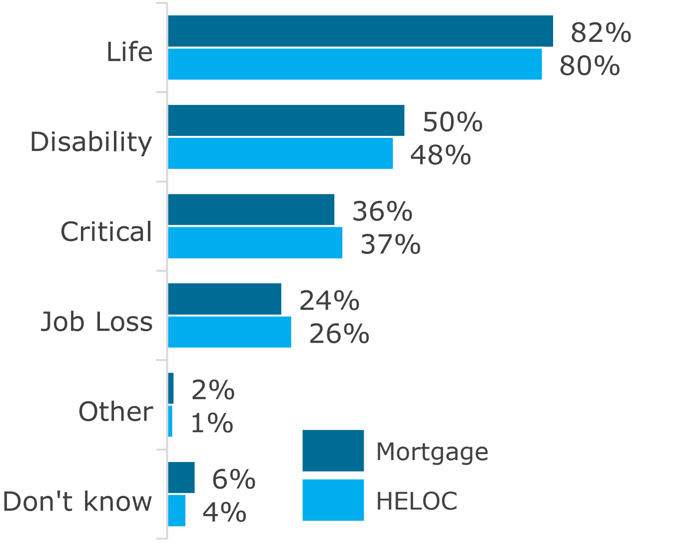
CPI holders' expectations of claim payouts are being met by the industry

- This indicates that the industry is effective at educating its consumers, open and transparent with consumers at the time of purchase, and consistently delivers on its promises

Canadians purchase a range of CPI products today

- The most important factors when purchasing CPI are the features and benefits of the coverage, price, coverage amounts, and ease of the purchase process overall

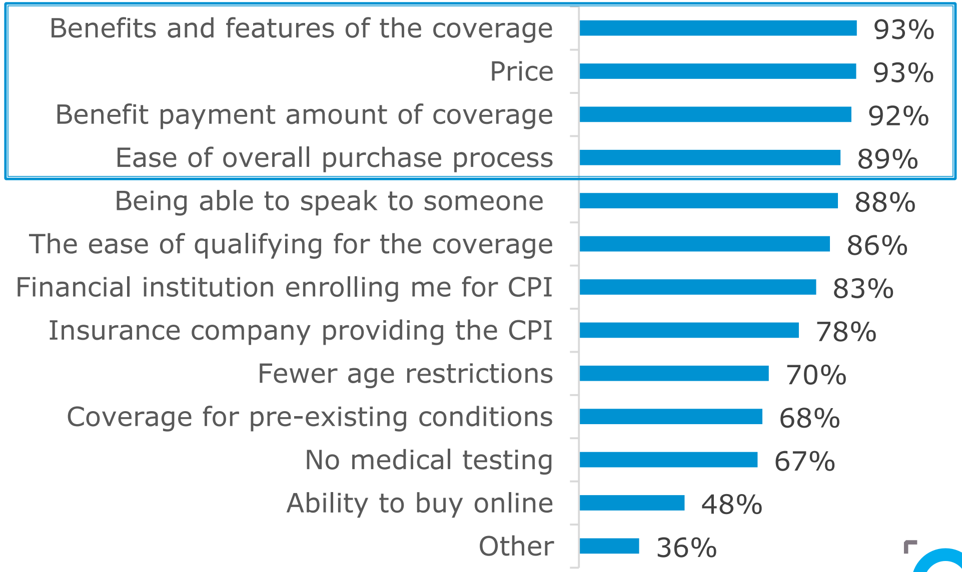
Type of Coverage Purchased



Base: All CPI Holders n=1,003

Importance of Factors when Purchasing CPI

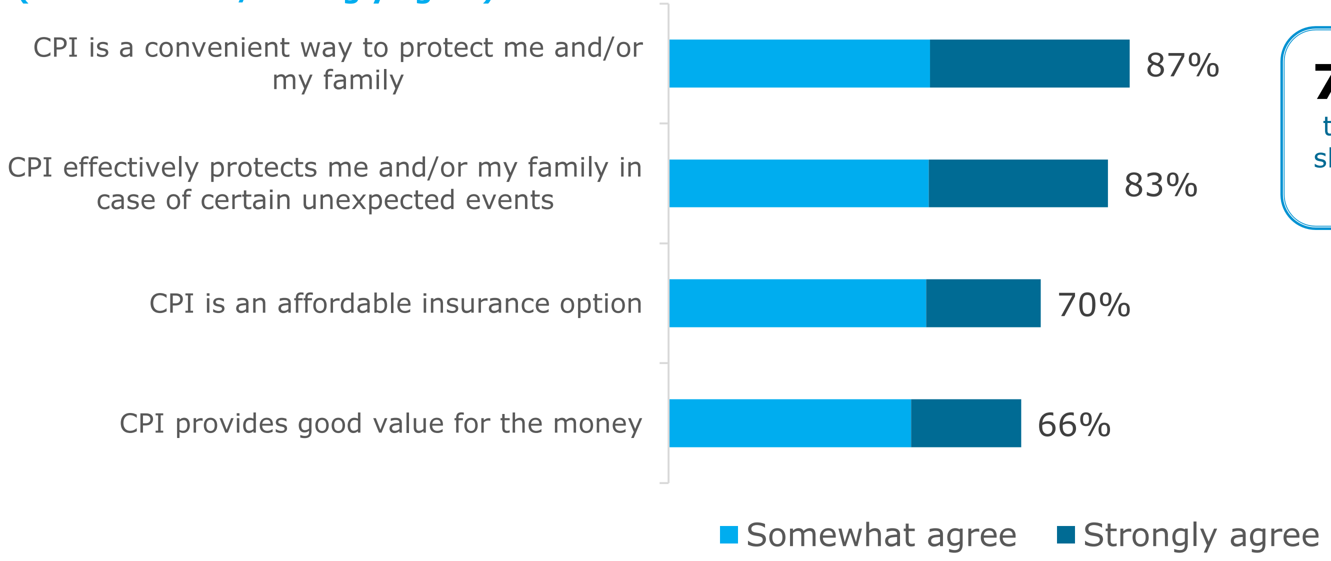
(% somewhat / very important)



A strong majority of CPI holders have positive impressions of these products

- CPI holders agree that these products are a convenient, effective and affordable way to protect their families in case of certain unexpected events

Agreement with Statements Regarding Credit Protection Insurance among CPI Holders
(% somewhat / strongly agree)



71% do not know what they would do without CPI, should something happen to them and/or their family

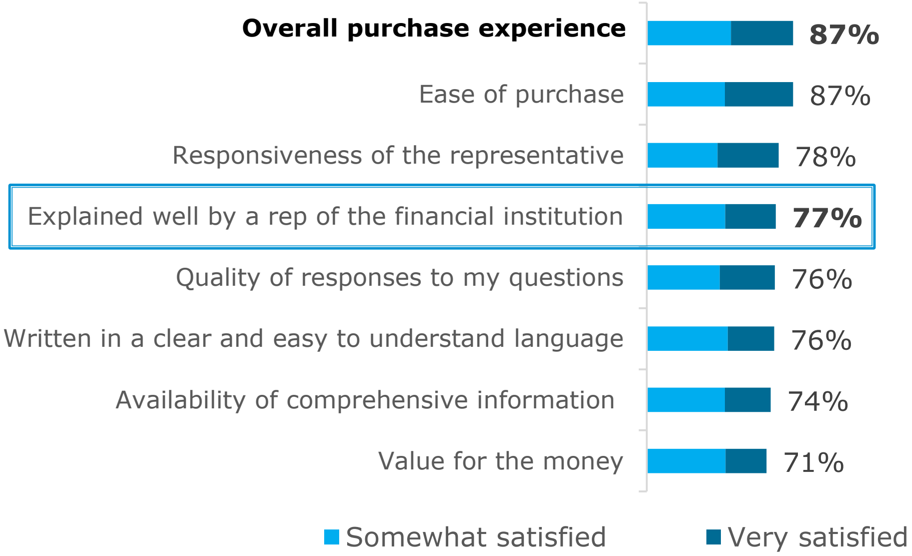
Base: All CPI Holders n=1,003

CPI holders are highly satisfied with the purchase experience overall

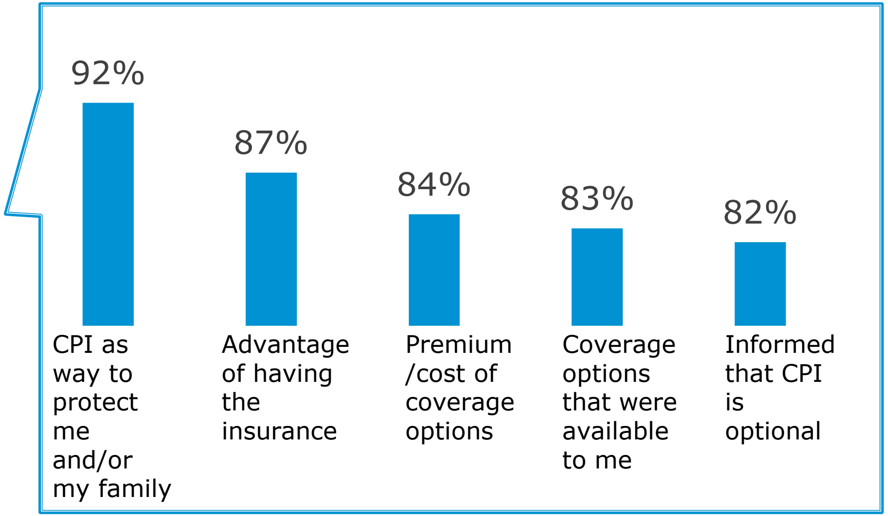
- CPI holders are satisfied with the information provided by representatives of financial institutions at purchase (e.g., benefits, price, coverage options, etc.).

Satisfaction with Purchase Experience

(% somewhat / very satisfied)



Elements of CPI Discussed by Representative



Base: All CPI Holders n=1,003

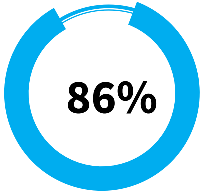
CPI holders are confident in their knowledge of insurance payout amounts and policy terms

- These high levels of confidence are in contrast to slightly lower levels of agreement that CPI documents are easy to understand

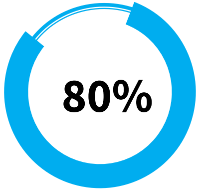
Confidence among CPI Holders in Knowledge of Payment Amount

(% somewhat / very confident)

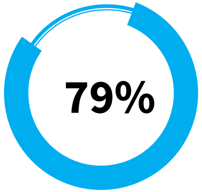
Life



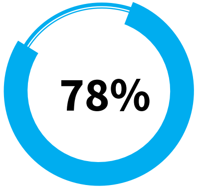
Critical Illness



Disability

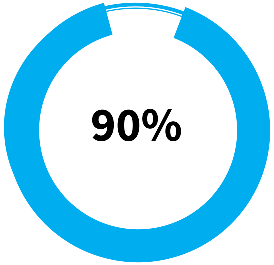


Job Loss



Understanding of Credit Protection Insurance Terms

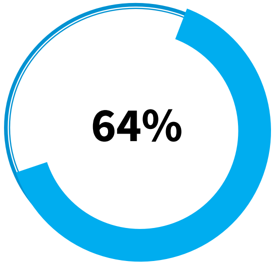
(% understand somewhat / very well)



My understanding when I purchased the Credit Protection Insurance for my mortgage

Comprehension of Documents which Outline CPI

(% somewhat / strongly agree)



The CPI documents are easy to understand

This includes all the details around terms, exceptions, and legal details

Base: All CPI Holders n=1,003

CPI holders' expectations for claim payout are in-line with actual results of claim submissions

- The high incidence of claim payouts results in high levels of satisfaction with the claims process overall

Confidence in Credit Protection Insurance in event of a claim
(% somewhat / very confident)

Base: All CPI Holders n=1,003

CPI holders' expectations for claim payout are in-line with actual results of claim submissions

- The high incidence of claim payouts results in high levels of satisfaction with the claims process overall

Results of Claim Submission Among Processed Claims (all products)
(% that were paid)

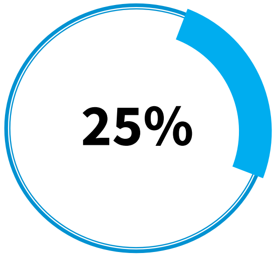
94%
of those whose claims were paid are satisfied with the claims process overall (**80%** for claimants overall)

Aggregated self-reported data provided by CAFII members validates this finding, with **94%** of Life claims paid

The few CPI holders who have made a complaint during a claim are generally satisfied with how it was handled

- Complaints most often relate to the timeliness of payout and/or the quality of communication of the provider (e.g., proactiveness, responsiveness, etc.)

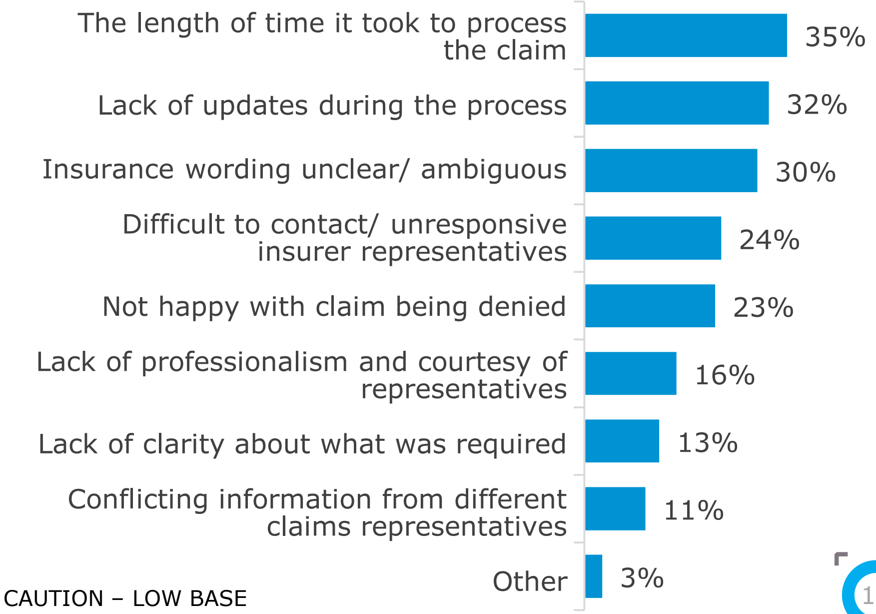
% Made A Complaint During Claim process



Of the 25% who made a complaint during the claims process, **85%** were satisfied with how the claim was handled

Base: CPI Claim/ Claim Resolved (N=244)

Reason for Complaint*



* CAUTION – LOW BASE

Base: CPI Claim/ Made Complaint (N=53)

Assurance protection de crédit

cafii acifa

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

pollara strategic insights

Février 2019

Objectifs et méthodologie de l'étude

- L'association canadienne des institutions financières en assurance (ACIFA) aimerait dresser un portrait plus juste des opinions des consommateurs canadiens sur l'assurance protection de crédit.

- Les objectifs spécifiques de cette étude sont de tester quantitativement :
  - La perception générale de l'assurance protection de crédit pour un nombre de facteurs comprenant le rapport qualité/prix et la capacité à couvrir les dépenses.
  - L'expérience et la satisfaction lors de la souscription à une assurance protection de crédit
  - Le niveau de confiance dans les assurances protection de crédit en cas de réclamation
  - L'expérience et la satisfaction par rapport au processus de réclamation
  - L'incidence des réclamations sur l'assurance protection de crédit
- Une enquête réalisée à l'échelle nationale, entre le **3 et le 16 octobre 2018**, en utilisant une méthodologie en ligne

- Un échantillon stratifié de **1 490 Canadiens âgés de 18 ans et plus qui :**
  - Ont une hypothèque ou une marge de crédit hypothécaire, et <u>ont actuellement</u> une assurance protection de crédit : N =1003
  - Ont une hypothèque ou une marge de crédit hypothécaire, et <u>n'ont pas</u> d'assurance protection de crédit : N = 424
  - Ont déposé une réclamation d'assurance protection de crédit : N = 286

Principaux points à retenir

Une grande majorité de Canadiens qui détiennent une assurance protection de crédit (APC) croit que cette dernière constitue une manière abordable, pratique et efficace de se protéger, eux-mêmes, ainsi que leur famille, lors de certains événements inattendus

- De plus, la plupart des détenteurs d'APC ne savent pas ce qu'ils feraient sans cette assurance si quelque chose arrivait à eux ou à leur famille, ce qui témoigne d'autant plus de l'importance de ces produits.

Les détenteurs d'APC montrent un haut taux de satisfaction à l'égard du processus global de souscription et ont confiance en leur connaissance de ces produits (p. ex. : les montants des versements et les conditions de la politique d'assurance)

- Ces hauts taux de satisfaction à l'égard de la souscription et de connaissance des politiques d'assurance sont imputables aux représentants d'institutions financières, qui relaient de l'information de qualité, en comparaison avec les renseignements présentés dans la documentation relative aux APC.

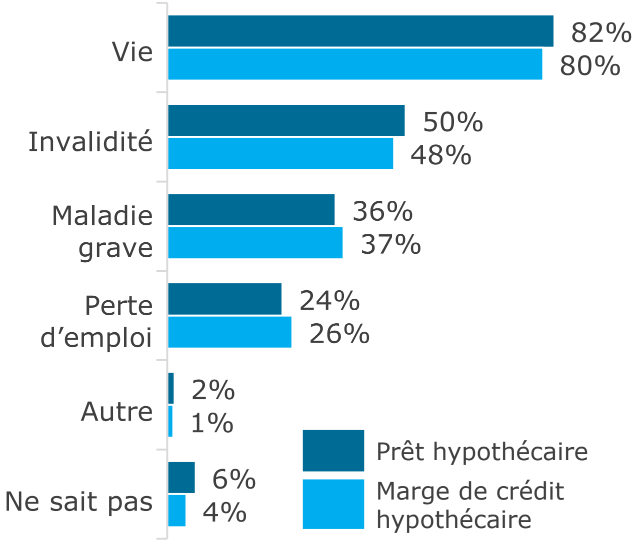
Les attentes des détenteurs d'APC en matière de montants de versement sont satisfaites par le secteur

- Cela indique que le secteur informe ses clients de manière efficace, qu'elle se montre ouverte et transparente avec ceux-ci au moment de la souscription et qu'elle respecte constamment ses engagements.

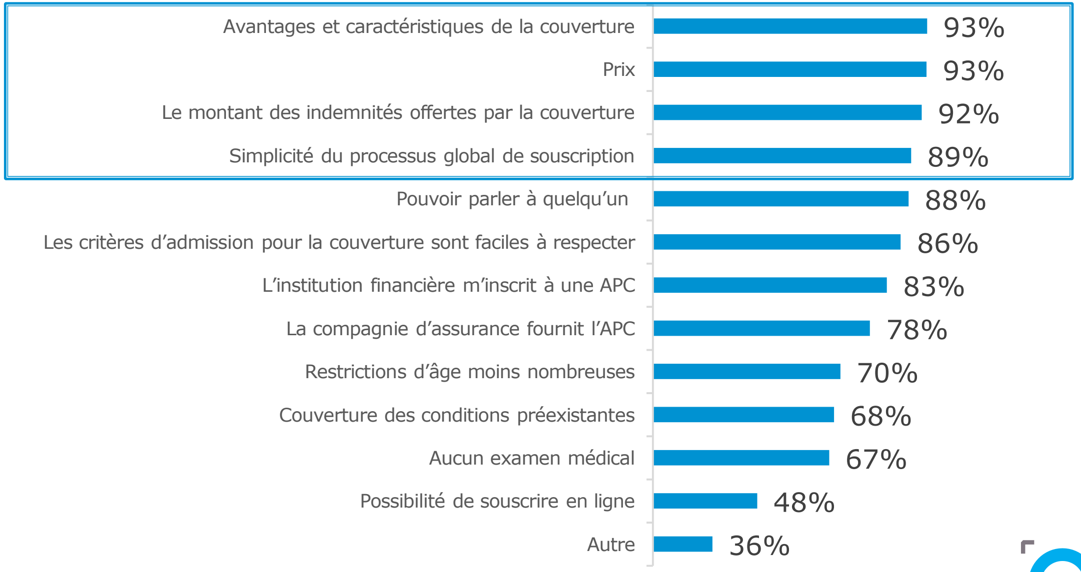
Les Canadiens achètent toute une gamme de produits d'APC de nos jours

- Les facteurs les plus importants lors de la souscription à une APC sont les caractéristiques et les avantages de la couverture, le prix, les montants couverts et la simplicité du processus global de souscription.

Type de couverture contractée



Importance des facteurs lors de la souscription d'une APC
(% assez/très important)

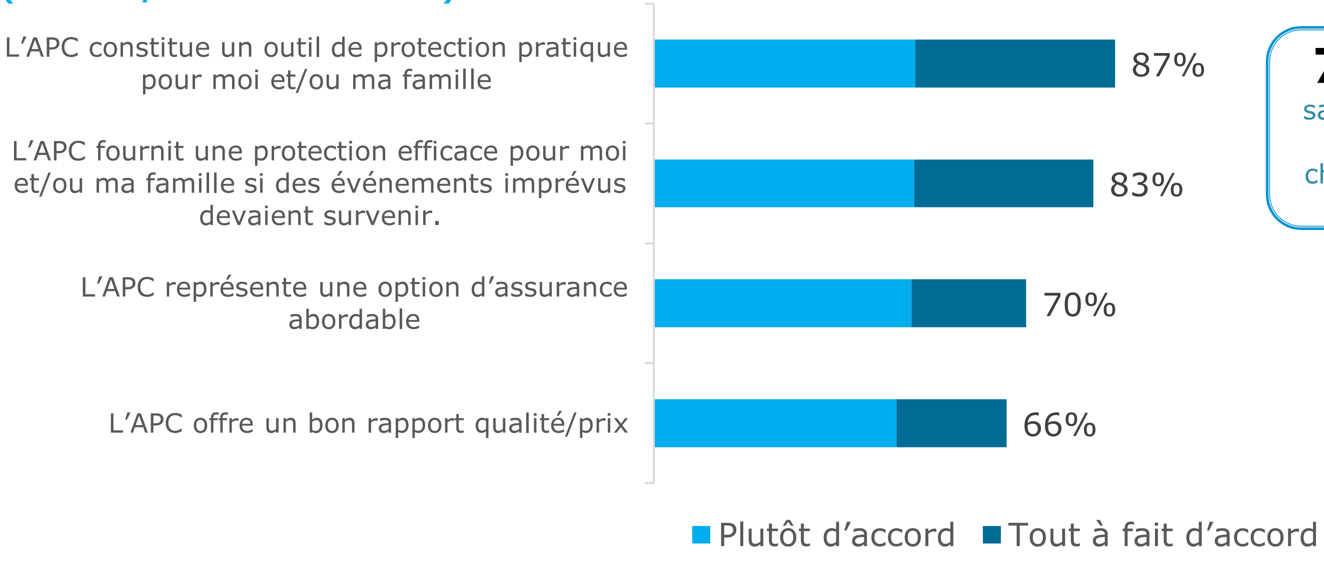


Échantillon : Tous des détenteurs d'APC n = 1003

Une grande majorité des détenteurs d’APC ont une perception positive de ces produits

- Les détenteurs d’APC s’entendent pour dire que ces produits constituent une manière pratique, efficace et abordable de protéger leur famille si certains événements imprévus devaient se produire

Accord avec les affirmations concernant l’assurance protection de crédit chez les détenteurs d’APC
(% assez/tout à fait d’accord)



71 % d’entre eux ne savent pas ce qu’ils feraient sans un APC si quelque chose arrivait à eux et/ou à leur famille

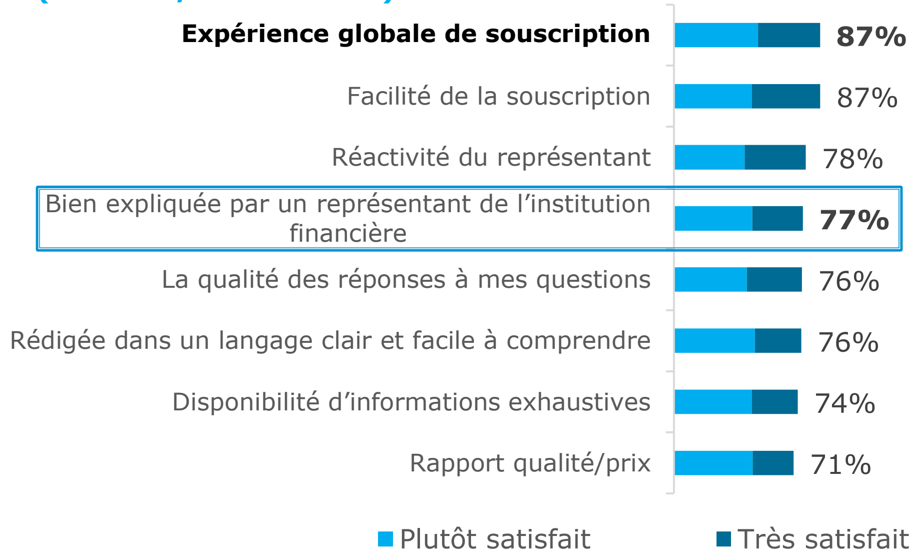
Échantillon : Tous des détenteurs d’APC n = 1003

Les détenteurs d'APC montrent globalement un taux de satisfaction élevé à l'égard de leur expérience de souscription

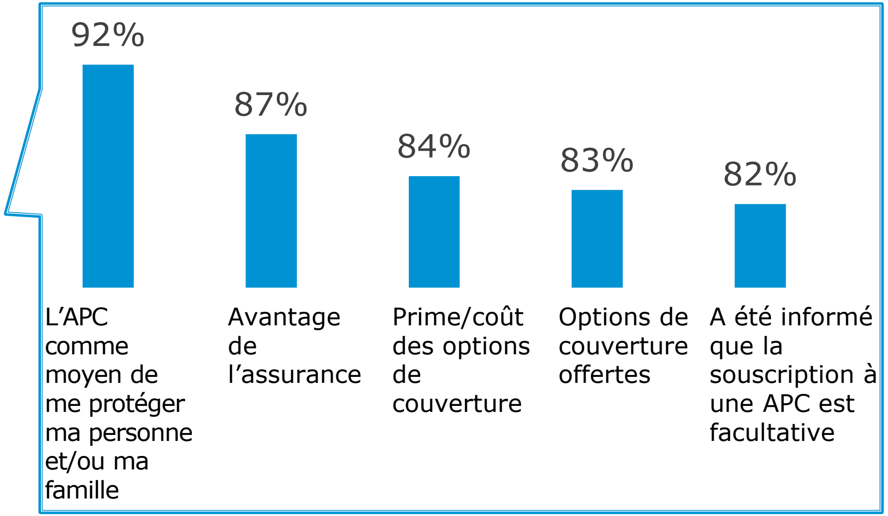
- Les détenteurs de CPI sont satisfaits de l'information qui leur est fournie par les représentants d'institutions financières au moment de la souscription (p. ex. : avantages, prix, options de couverture, etc.).

Niveau de satisfaction relatif à l'expérience de souscription

(% assez/très satisfait)



Éléments de l'APC abordés par les représentants



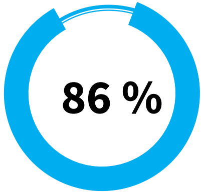
Échantillon : Tous des détenteurs d'APC n = 1003

Les détenteurs d'APC ont confiance en leur connaissance des montants des versements d'assurance et des conditions de leur politique d'assurance

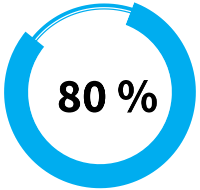
- Ces hauts niveaux de confiance font contraste avec les niveaux légèrement plus bas d'accord avec l'affirmation selon laquelle la documentation relative aux APC serait facile à comprendre

Confiance chez les détenteurs d'APC relative à la connaissance du montant des versements
(% assez/très confiant)

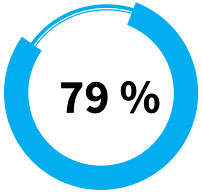
Vie



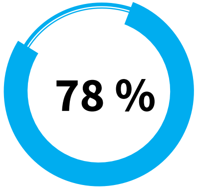
Maladie grave



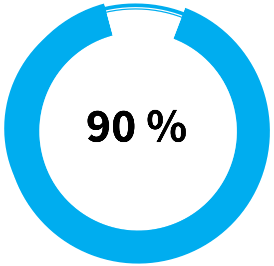
Invalidité



Perte d'emploi

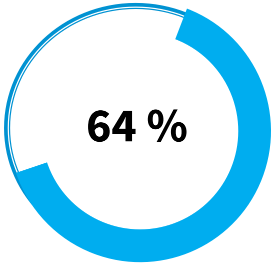


Compréhension des conditions de l'assurance protection de crédit
(% comprend assez/très bien)



Ma compréhension lorsque j'ai souscrit à une assurance protection de crédit pour mon hypothèque

Compréhension des documents explicatifs de l'APC
(% assez/tout à fait d'accord)



Les documents relatifs aux APC sont faciles à comprendre

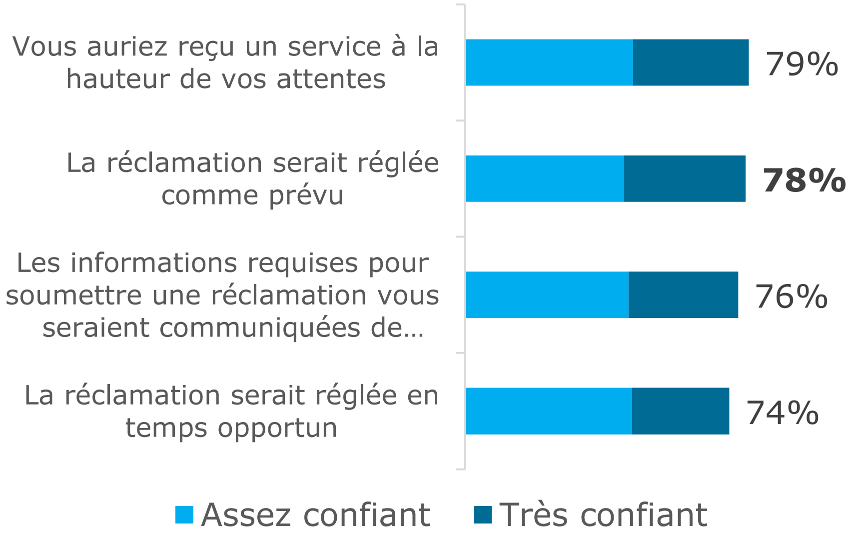
Cela comprend toutes les précisions concernant les conditions, les exceptions et les détails juridiques

Échantillon : Tous des détenteurs d'APC n = 1003

Les attentes des détenteurs d’APC à l’égard du versement des indemnités sont réalistes si l’on considère les résultats réels des présentations de réclamations

- La grande incidence de versement d’indemnités entraîne des taux de satisfaction élevés à l’égard du processus global de réclamation.

Niveau de confiance dans les assurances protection de crédit en cas de réclamation
(% assez/très confiant)



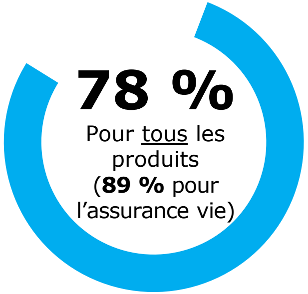
Échantillon : Tous des détenteurs d’APC n = 1003

Les attentes des détenteurs d’APC à l’égard du versement des indemnités sont réalistes si l’on considère les résultats réels des présentations de réclamations

- La grande incidence de versement d’indemnités entraîne des taux de satisfaction élevés à l’égard du processus global de réclamation.

Résultats des présentations de réclamations parmi toutes les réclamations traitées (tous produits confondus)

(% payées)



94 %
de ceux dont les réclamations ont été payées se sont montrés satisfaits du processus global de réclamation (**80 %** des demandeurs au total)

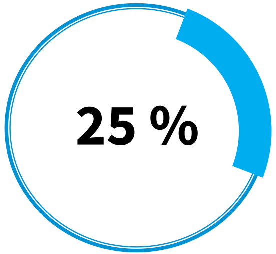
Les données autodéclarées groupées fournies par les membres de l’ACIFA (**94 %** des réclamations pour assurance vie) confirment ces résultats.

Échantillon : Réclamation pour APC/réclamations réglées (Tous les produits N = 244/assurance vie N = 60)

Les quelques détenteurs d’APC qui ont déposé une plainte pendant la réclamation sont généralement satisfaits de la manière dont celle-ci a été traitée

- Les plaintes sont le plus souvent liées aux délais de versement et/ou à la qualité de la communication de la part du fournisseur (p. ex. : pas assez proactif, temps de réponse trop longs, etc.)

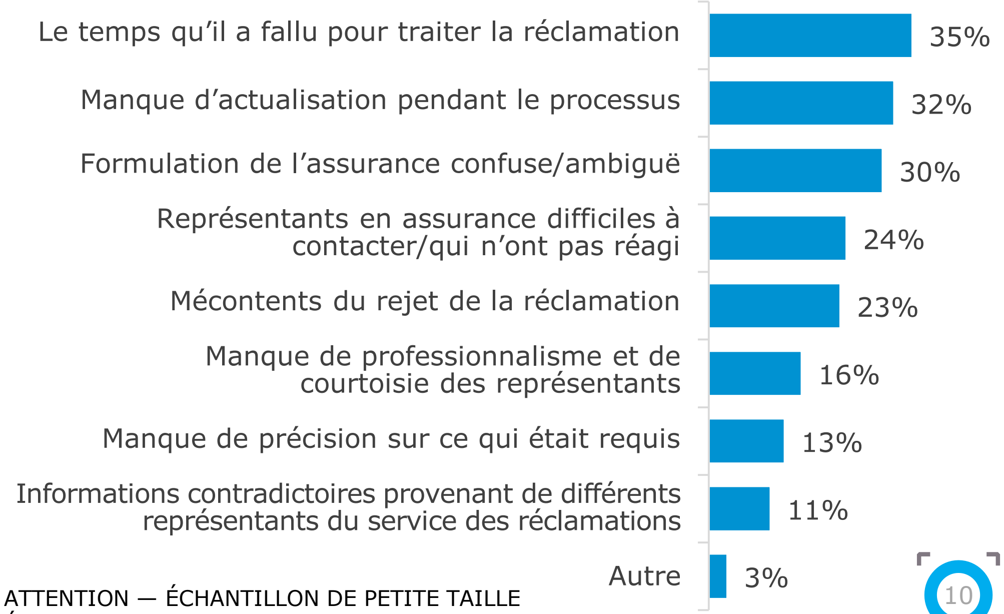
% ont déposé une plainte pendant le processus de réclamation



Des 25 % de personnes ayant déposé une plainte pendant le processus de réclamation, **85 %** ont été satisfaites de la manière dont leur plainte a été gérée

Échantillon : Réclamation pour APC/réclamation réglée (n = 244)

Motif de la plainte *



* ATTENTION — ÉCHANTILLON DE PETITE TAILLE
Échantillon : Réclamation pour APC/plainte déposée (n = 53)

VERSION 12, June 14 – FINAL FOR TRANSLATION

LES CANADIENS INTERROGÉS AU SUJET DE L'ASSURANCE PROTECTION DE CRÉDIT DISENT QU'IL S'AGIT D'UNE FORME PRATIQUE, EFFICACE ET ABORDABLE DE PROTECTION FINANCIÈRE POUR LES PRÊTS HYPOTHÉCAIRES ET LES PRÊTS

Les attentes des consommateurs à l'égard du versement des indemnités sont satisfaites par le secteur

TORONTO, 17 juin 2019 – L'expérience des Canadiens avec l'assurance protection de crédit (APC) pour leur hypothèque ou leur marge de crédit hypothécaire est très positive. En effet, 87 % d'entre eux croient que cette dernière constitue une manière abordable, pratique et efficace de se protéger, eux-mêmes, ainsi que leur famille, contre les difficultés financières importantes entraînées par un décès, une invalidité, une maladie grave ou la perte d'emploi.

Les Canadiens protégés par une APC déclarent également qu'ils sont assez satisfaits ou très satisfaits de leur expérience globale de souscription (87 %) et qu'ils ont confiance en leur connaissance des produits d'APC (90 % au moment de la souscription). De plus, les détenteurs d'APC affirment que leurs attentes à l'égard du processus de réclamation sont satisfaites par le secteur, 80 % d'entre eux déclarant être satisfaits de leur expérience (94 % pour ceux dont la réclamation a été réglée).

Telles sont les principales conclusions de la nouvelle étude d'opinion publique réalisée par Pollara Strategic Insights, qui a interrogé les Canadiens sur leur expérience à l'égard de l'APC pour leur prêt hypothécaire et/ou leur marge de crédit hypothécaire. Ce type d'assurance, aussi appelé assurance de créance, sert à rembourser une hypothèque ou une marge de crédit hypothécaire ou à en réduire le solde, ou à s'acquitter de dettes en cas d'événements couverts comme un décès, une invalidité, une maladie grave ou une perte d'emploi. La couverture d'une APC est généralement assurée par l'institution financière qui fournit le prêt hypothécaire ou la marge de crédit hypothécaire au consommateur, selon les modalités d'un régime collectif, qui permet à un plus grand nombre de Canadiens d'être assurés à des tarifs de groupe économiques standard.

Selon l'étude, 83 % des Canadiens couverts par une APC estiment que c'est une manière efficace de se protéger, eux-mêmes, ainsi que leur famille, si certains événements imprévus devaient se produire. En outre, 71 % des répondants ont déclaré que sans une APC, ils ne sauraient comment eux-mêmes et/ou leur famille pourraient s'en sortir advenant un événement imprévu les touchant financièrement – par exemple, une incapacité les empêchant de travailler et de toucher un revenu régulier. De plus, 70 % des répondants ont indiqué qu'une APC constituait une option d'assurance abordable.

En ce qui concerne l'expérience du processus de souscription des détenteurs d'APC, 87 % d'entre eux ont dit être satisfaits du processus global de souscription, 77 % de ces personnes ont déclaré être satisfaites des explications fournies sur les produits; et 74 % d'entre elles ont affirmé être satisfaites de l'information qui leur a été fournie pour prendre une décision éclairée.

Les Canadiens détenteurs d'APC ont également exprimé leur confiance envers le processus de réclamation, et ont indiqué que leurs attentes à l'égard du versement des indemnités sont satisfaites ou ont été dépassées. Par exemple, 89 % des survivants ou proches parents qui ont déposé une réclamation d'assurance vie dans le cadre d'une APC ont déclaré avoir été indemnisés. (Le taux de 89 % d'indemnisation déclaré par les survivants ou proches parents des assurés dans l'enquête ressemble à celui que l'on retrouve dans les données autodéclarées groupées des membres de l'ACIFA, qui indique que 94 % des réclamations d'assurance vie liées à une APC ont été versés au cours de l'année financière 2018.)

Voici les facteurs que les Canadiens jugent les plus importants lorsqu'ils souscrivent à une APC :

- 93 % : avantages et caractéristiques de la couverture;
- 93 % : prix;
- 92 % : le montant des indemnités offertes par la couverture;
- 89 % : simplicité du processus de souscription;
- 88 % : pouvoir parler à quelqu'un.

Les Canadiens ont également déclaré avoir une compréhension raisonnable des modalités et des limites de couverture d'une APC, ainsi que du montant des indemnités. Par exemple, au moment d'y souscrire, 90 % des assurés ont dit qu'ils en comprenaient « très bien » ou « assez bien » les modalités de couverture.

L'enquête a également permis de cerner certains points sur lesquels les membres de l'ACIFA et autres fournisseurs d'APC pour leur hypothèque ou leur marge de crédit hypothécaire au Canada peuvent se pencher pour améliorer l'expérience des consommateurs à l'égard de ce type d'assurance.

Par exemple, 25 % des demandeurs ont dit avoir formulé une plainte au sujet du processus de réclamation, les deux principales plaintes étant les suivantes :

- 35 % : le temps qu'il a fallu pour traiter la réclamation;
- 32 % : manque d'actualisation pendant le processus.

Toutefois, 85 % des demandeurs qui ont déposé une plainte se sont dits satisfaits de la façon dont elle a été traitée.

Enfin, quelque 22 % des détenteurs d'APC ont dit ne pas croire qu'ils seraient indemnisés, sans même avoir déposé une réclamation. Étant donné que ce niveau de confiance est bien inférieur au ratio de versement d'indemnités réel, c'est un problème qui préoccupe le secteur.

« Nous sommes heureux que les Canadiens estiment que l'assurance protection de crédit est un type de protection financière pratique, efficace et abordable pour eux et leur famille », a déclaré Keith Martin, codirecteur général de l'association canadienne des institutions financières en assurance (ACIFA), qui a commandé l'étude de Pollara. « Toutefois, l'enquête montre également que des améliorations devraient être apportées. En tant que secteur, nous continuerons de chercher des moyens d'améliorer la satisfaction de la clientèle et la valeur des produits d'assurance protection de crédit que nos membres offrent aux consommateurs. »

Il s'agit des principaux résultats d'une enquête nationale en ligne menée auprès de 1 003 adultes canadiens détenant une assurance protection de crédit pour une hypothèque et/ou une marge de crédit hypothécaire. L'enquête a été menée du 3 au 16 octobre 2018.

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À propos de l'ACIFA
L'affiliation diverse des membres de l'ACIFA permet à notre association d'avoir une vue d'ensemble du régime de réglementation régissant le marché de l'assurance. Nous travaillons avec le gouvernement et les organismes de réglementation (principalement provinciaux/territoriaux) à l'élaboration d'un cadre législatif et réglementaire pour le secteur de l'assurance qui permette d'assurer aux consommateurs canadiens qu'ils obtiennent des produits d'assurance répondant à leurs besoins. Notre objectif est de nous assurer que des normes appropriées sont en place pour la distribution et la commercialisation de tous les produits et services d'assurance.

L'ACIFA est actuellement la seule Association canadienne ayant des membres impliqués dans toutes les principales branches d'assurance personnelle. Les membres de l'ACIFA comprennent les branches d'assurance des principales institutions financières du Canada – Assurance CIBC; BMO Assurance; Desjardins Sécurité financière; La Financière ScotiaLife; RBC Assurances; et TD Assurance, de même que les principaux acteurs de l'industrie, Assurant, Assurance-vie Canada, CUMIS Services Incorporated, La Compagnie d'assurance-vie Première du Canada, et Manuvie (La Compagnie d'Assurance-Vie Manufacturers).

À propos de Pollara Strategic Insights :
Fondée en 1980, Pollara Strategic Insights est l'une des principales entreprises de recherche offrant des services complets au Canada. Elle est constituée d'une équipe de chercheurs chevronnés, motivés à mener des recherches en faisant preuve de créativité et en élaborant des solutions personnalisées. Tirant pleinement profit de sa vaste gamme d'outils, et s'appuyant sur des méthodes de recherche quantitatives et qualitatives ainsi que des techniques d'analyse, Pollara fournit des conseils stratégiques à un large éventail de clients de tous les secteurs à l'échelle locale, nationale et mondiale.

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FINAL VERSION 12, June 14

CANADIANS SURVEYED WITH CREDIT PROTECTION INSURANCE SAY IT IS A CONVENIENT, EFFECTIVE, AND AFFORDABLE FORM OF FINANCIAL PROTECTION FOR MORTGAGES AND LOANS

Consumer expectations for claims payouts are being met by the industry

TORONTO, June 18, 2019 – The experience of Canadians with Credit Protection Insurance (CPI) on their mortgages and Home Equity Lines of Credit (HELOCs) is very positive, with 87% saying it is a convenient way to protect themselves and/or their families against major financial setbacks arising from death, disability, critical illness, or job loss.

Canadians with CPI coverage also report that they are somewhat or highly satisfied with the purchase experience overall (87%), and are confident in their knowledge about CPI products (90% at time of purchase). In addition, CPI holders say their expectations of the claims process are being met by the industry, with 80% reporting satisfaction with their claims experience (94% for those whose claim was paid).

Those are the key findings of new public opinion research by Pollara Strategic Insights that asked Canadians about their experience with CPI on their mortgage and/or HELOC. This type of insurance, also known as creditor's insurance, is used to pay off or pay down a mortgage or HELOC, or to make debt payments in the event of covered occurrences such as death, disability, critical illness, or job loss. CPI coverage is typically secured through the financial institution providing the consumer's mortgage or HELOC financing, and it is provided under a group policy, thereby allowing more Canadians to be insured at economical standard group rates.

According to the research, 83% of Canadians with CPI coverage said it is an effective way to protect themselves and their families from unexpected life occurrences. Furthermore, 71% said that without CPI, they do not know how they and/or their family would be able to cope, should an unexpected life occurrence negatively impact them financially – for example, not being able to work and earn a regular income. And 70% said CPI is an affordable insurance option.

With respect to the purchase process experienced by CPI holders, 87% said they were satisfied with the overall purchase process; 77% reported satisfaction with the product explanations provided to them; and 74% said they were satisfied with the information provided to them to make an informed purchase decision.

Canadians with CPI coverage also expressed confidence in the CPI claims process, and that their expectations for claims payouts are being met or exceeded. For example, 89% of survivors/next-of-kin who made a CPI life insurance claim reported that it was paid. (The 89% level of CPI life insurance claims payouts reported by the survivors/next-of-kin of CPI insureds in the survey is close to the level found in aggregated self-reported data from CAFII members, which shows that 94% of CPI life insurance claims were paid in the 2018 fiscal year.)

With respect to the factors which Canadians believe are the most important when purchasing Creditor Protection Insurance:

- 93% said benefits and features of the coverage;
- 93% said price;
- 92% said benefit payment amount of coverage;
- 89% said ease of overall purchase process; and,
- 88% said being able to speak to someone to answer my questions.

Canadians also said they have a reasonable understanding of CPI coverage terms and limitations, and about the amount of coverage. For example, at the time of signing up for their CPI coverage, 90% of insureds said they understood “very well” or understood somewhat their credit protection insurance terms.

The survey also identified some areas which CAFII members and other providers of CPI coverage on mortgages and HELOCs in Canada can look at to improve the consumer’s experience with this insurance.

For example, 25% of CPI claimants said they had made a complaint about the claims process, with the top two complaints being the following:

- 35% complained about the length of time it took to process the claim; and,
- 32% complained about the lack of updates during the process.

However, 85% of claimants who made a complaint said they were satisfied with how their complaint was handled.

Furthermore, some 22% of CPI holder respondents expressed a lack of confidence that a life insurance claim would be paid, without even having made a claim. As this level of confidence is well below the actual claims payout ratio, it is an issue that is concerning to the industry.

“We’re pleased that Canadians feel Credit Protection Insurance is a convenient, effective and affordable type of financial protection for them and their families,” said Keith Martin, Co-Executive Director of the Canadian Association of Financial Institutions in Insurance (CAFII), which commissioned the Pollara research. “However, the survey also shows that there is room for improvement. As an industry, we will continue to look for ways to improve customer satisfaction, and enhance the value to consumers of the Credit Protection Insurance products that our members provide.”

These are the key results from a national online survey of 1,003 adult Canadians who have Credit Protection Insurance on a mortgage and/or home equity line of credit. The survey was conducted from October 3 to 16, 2018.

About CAFII:
The Canadian Association of Financial Institutions in Insurance is a not-for-profit industry Association dedicated to the development of an open and flexible insurance marketplace. CAFII believes that consumers are best served when they have meaningful choice in the purchase of insurance products and services. CAFII's members include the insurance arms of Canada's major financial institutions – BMO Insurance; CIBC Insurance; Desjardins Financial Security; National Bank Insurance; RBC Insurance; ScotiaLife Financial; and TD Insurance – along with major industry players Assurant; Canada Life; Canadian Premier Life Insurance Company; CUMIS Services Incorporated; and Manulife (The Manufacturers Life Insurance Company).

About Pollara Strategic Insights:
Founded in 1980, Pollara Strategic Insights is one of Canada's premier full-service research firms – a collaborative team of senior research veterans who are passionate about conducting research through hands–on creativity and customized solutions. Taking full advantage of their comprehensive toolbox of industry-leading quantitative and qualitative methodologies and analytical techniques, Pollara provides research-based strategic advice to a wide array of clients across all sectors on a local, national, and global scale.

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<u>Potential Media Questions re: Pollara CPI research – Draft 2, June 14, 2019</u>

1) Your survey says that Canadians believe CPI is an effective, convenient and affordable type of insurance for mortgages and loans. Isn't mortgage life insurance just a junk product that provides consumers with little value versus other insurance options such as term life?

A1: We believe that CPI sold by our member financial institutions is an effective, convenient, affordable and necessary insurance product. In fact, a 2013 independent research study conducted by the Life Insurance Market Research Association (LIMRA) found that life insurance ownership in Canada was at a 30 year low and many households had insufficient coverage. Only 68% of households had life insurance, down from 79% seven years prior.

One of the key reasons for that decline in households having life insurance coverage in place is that lower and middle income Canadians have not been well-served by the "traditional" insurance market because lower face value policies are not economical to distribute in a face-to-face model. Commission-based insurance agents and brokers are incented to pursue sales of fewer, larger policies to more affluent consumers.

In addition, about two-thirds of households don't have a life insurance agent or broker, so financial institutions that sell Credit Protection Insurance are key to meeting their insurance needs. In fact, for many Canadians with smaller protection needs, Credit Protection Insurance may be their best option, and perhaps their only option.

In terms of a family's financial planning, Credit Protection Insurance is complementary to other insurance coverage, an immediate and reliable protection solution for increased borrowing, and a component of a sound financial plan. By directly covering a specific debt obligation, CPI frees up other individual and group life and disability coverage to protect a family's quality of life by covering such costs as medical, education, child care, and burial expenses; capital gains taxes, etc.

2) Your research showed that only 70% of Canadians thought mortgage life insurance was "affordable", and only 66% said it offered good value. How can you claim it is affordable?

A2: With 70% of Canadians being of the view that mortgage life insurance is affordable and nearly two-thirds feeling that it offers good value, we're pleased that a solid majority of the populace has a positive view of the product; but we recognize that there is certainly work to be done to raise those favourable perception levels even higher.

We'd like as many Canadians as possible to feel that the premiums charged for Credit Protection Insurance are affordable and that the coverage provides good value. That's why our industry is constantly looking for ways to keep costs down, prices affordable, and the value as high as possible.

In that connection it's noteworthy that Credit Protection Insurance products have some important advantages over other types of insurance. For example, people become covered under CPI through a group master policy, which allows nearly all applicants to be approved for coverage. Some of those CPI holders would be denied individual insurance coverage due to pre-existing health conditions. And some *of the coverages CPI makes available, such as job loss insurance, are not available through individually - underwritten insurance options. (See Question #8 answer for further detail.)*

Furthermore, CPI life insurance on a mortgage is generally very cost competitive with a comparable amount of term life insurance, while being more advantageous for some consumers. For example, CPI mortgage life premiums are typically lower than term life for younger lives, males, smokers, and smaller amount coverages.

In addition, CPI's pricing model based on initial age and initial balance, with the benefit paid on the declining balance, is designed to equalize the premium over the entire duration of the mortgage, which makes the coverage more affordable and accessible for younger, lower net worth, and lower income borrowers. Many CPI holders like the fact that their premium stays constant over the entire life of the mortgage, because it helps with budgeting and managing expenses, both now and in the future. They also like that their mortgage life insurance cost won't go up as they get older or if they were to develop health issues.

(Further detail, if necessary: Instead of charging a higher premium at the beginning and allowing it to decrease as the mortgage balance covered goes down, the CPI pricing structure is designed to have a lower, affordable premium at the outset and hold it constant. This assists clients to budget and manage expenses by providing a lower, level premium over the life of the mortgage which can be an attractive feature, particularly in the early years, when cash flow can be an issue. Also, while the amount of coverage goes down as the mortgage balance declines, the CPI premium has the offsetting advantage of staying constant and not increasing as the customer ages or if they were to develop health issues, which would be the case with individual term life insurance which has to be renewed and re-underwritten every 10 or 20 years.)

3) Do you inform consumers when they buy the product of the affordability relative to other products? Did you share the profitability / loss ratio with them?

A3: With respect to profitability or loss ratio data being shared, no insurer or distributor in the marketplace -- in any line of insurance business including term life, universal life, and whole life -- provides profitability or loss ratio information to consumers; and neither do the financial institutions that offer optional CPI coverage provide such disclosures. The survey respondents who said they felt that CPI provided value for money were self-reporting based on their experiences and comparison shopping.

4) Do your representatives selling credit protection insurance products do a needs-analysis / provide advice on alternatives when they are selling the product?

A4: The objective of client service representatives selling CPI is to give consumers the information they need to make an informed and sound decision. They are trained to point out features and limitations of the insurance and answer customer questions. The discussion is holistic, dealing with all of the client's insurance needs and coverage options. Full disclosure about the CPI product being offered is provided.

In addition, information is available on company websites and consumers are given a toll-free phone number to call with any questions. Consumers can take their time to do a full review of their current and future insurance needs, and to review all insurance certificates and other materials provided. They also have a generous "free look" period, typically 30 days, during which time they have insurance coverage in place but can cancel for a full premium refund.

5) Only 64% of Canadians said the CPI documents are easy to understand. Shouldn't your members be doing a better job of providing their clients with clear language, easy-to understand documents?

A5: The 64% ease-of-understanding rating refers only to the accompanying documents that outline terms and conditions, and other legal details of the CPI products – which, given their purpose, must be comprehensive. However, our customer service representatives are trained to undertake a holistic discussion with consumers about the CPI product they are considering, to provide a thorough explanation of the product, and to answer questions, all of which contribute to a high level of understanding and enable the consumer to make an informed decision on whether the optional CPI coverage is right for them.

This is reflected in the research findings, where 90% of Canadians said they had a good understanding of the product when they purchased credit protection insurance for their mortgage; 77% said their financial institution representative did a good job of explaining the product; and 76% said they were satisfied with the quality of responses they got to their questions.

Despite those relatively favourable results, CAFII members regularly review the language used in their product documentation to make it as simple, straightforward, and easy to understand as possible.

6) Your survey says that clients feel well informed about the CPI product they are buying. Do they understand that financial institutions offering mortgage life insurance don't usually check applications until after a claim (post-claim underwriting), and that this could leave heirs disqualified from a claim payout if they didn't fill in the application properly, even by accident?

A6: CPI products are not subject to post-claims underwriting. The typical application and underwriting process for CPI follows these steps:

- *Consumers apply for CPI by completing an application form that includes several questions about their health;*
- *If the consumer answers "No" to all of the health questions, then the insurer takes them at their word and trusts that the information provided on the application is accurate. The consumer is approved for coverage effective on the date indicated on the application form;*
- *If the consumer answers "Yes" to any of the health questions, then he/she is required to complete a more detailed health questionnaire which is forwarded to the insurance company for further consideration.*
- *The insurer will carry out a detailed underwriting analysis. Once a decision is made by the insurer on whether the applicant meets the criteria associated with the particular CPI product, the insurer advises the applicant in writing.*

For some coverages (e.g. lower value loans), there may not be any health questions asked on the application form; and in such cases, coverage is automatically approved. A critically important point of distinction is that for such coverages that are not underwritten at the time of application, ***<u>there is no misrepresentation exclusion</u>****. In such cases, benefits will be paid for the covered event (death or disability)* ***<u>subject only</u>*** *to a pre-existing health exclusion. The exclusion applies if death or disability occurs within six to 12 months (depending on the particular CPI policy) of the enrolment date, and the event was caused by or related to a health condition that pre-existed for six to 12 months (depending on the particular CPI policy) prior to enrolment and for which the insured has received treatment. All other medical conditions will be covered from the enrolment date.*

7) Only 89% of claimants said that CPI life claims were paid, and your members reported that 94% were paid. Why the difference? What are the top two or three reasons for denying a claim?

A7: The 5% difference between the 89% and 94% represents the modest gap between the results generated by survey participants' responses and the aggregated self-reported data provided to Pollara Strategic Insights by CAFII members. That relatively small difference can be attributed to a few factors such as surviving next-of-kin who participated in the survey not fully remembering or understanding the terms or amounts of the insurance pay-out of their mortgage or HELOC balance when their insured loved one passed away.

Due to the very small percentage of denied claims, we don't have industry-level statistics that can be drawn from the survey on the reasons for denial. However, the following standard reasons for not paying a claim are prominently set out in the CPI certificate of insurance: suicide within the first two years of the policy; death as a result of driving while intoxicated or as a result of a criminal offence; or a false declaration on the insurance application.

8) No mention was made in your survey of those who were denied this coverage. What percentage of applicants are denied coverage, and why?

A8: The group policy structure of CPI allows more Canadians to be insured at standard economical rates and almost all applicants are accepted. For example, recent industry statistics have shown that 84% of applicants are accepted upon completion of a short form application; and an additional 10% are insured at the same standard rates following medical tests. Only 3% of applicants are denied coverage, while another 3% withdraw their application. These facts are supported by an independent by Avalon Actuarial (in 2011) that showed Application Approval Rates for CPI were superior to those for Individual Life Insurance.

In contrast, the same Avalon Actuarial study showed that for Individual Life applicants, 73% are approved at standard rates following completion of a detailed application form and medical underwriting; and another 6% are approved for coverage at higher than standard rates. More than one-fifth (21%) of applicants are denied coverage.

9) 25% of claimants in your survey said they made a complaint about the claims process. Doesn't this high rate of complaints bother your members, and what are you going to do to improve?

A9: The overall level of consumer satisfaction with CPI is high according to the independent Pollara study. And while even one complaint is one too many, industry data reported over many years show that there have been so few complaints to regulators about CPI products that the number is statistically insignificant.

As for the 25% of claimants who made a complaint about the claims process, it's also important to note that 85% of them were satisfied with how the claim was handled.

As one might expect, the most common complaint was about the length of time it took to process a claim. While our members try to process claims as quickly as possible, the process can be delayed when claimants don't provide all of the information necessary for claims adjudication in a timely fashion.

10) Your survey excluded the views of people who do not have CPI products, some of whom may have found another insurance option they liked better. If you included these people in your survey, wouldn't your positive scores have been much lower? And can you really say that your biased survey reflects the views of "Canadians"?

A10: The survey methodology was designed by an independent research firm, and its purpose was to understand the opinions of people who have taken out CPI coverage on a mortgage and/or home equity line of credit. If you'd like to know more about the methodology employed to ensure that the survey results accurately reflect the views of the entire Canadian population, I can have a representative of Pollara contact you.

11) Why did you decide to conduct a survey about CPI and release the results at this time? Are you getting push back from regulators and the government about these products?

A11: We conducted the survey to generate insights for CAFII members into the experience of Canadians who have taken out the Credit Protection Insurance coverage they offer on mortgages and home equity lines of credit; and to be able to share the survey results insights with important stakeholders for our Association: namely, insurance regulators and policy-makers; the media; and the public. The survey is part of an ongoing series of CAFII research that our members are using to better understand the needs of their insurance clients, to ensure existing products are meeting client needs, and to learn where improvements may be necessary. This survey is the second CAFII research initiative in the past 12 months, and follows one that we conducted on Travel Medical Insurance.

12) The survey took place in October of 2018. Why did you wait 7 months to release the results? Are you keeping any of the results secret and only releasing those that make you look better?

A12: Between the time our survey was in the field and we released the results, a number of things had to happen, including consolidation and tabulation of results by Pollara; presentation of results to CAFII members; presentation of results to affiliated Associations; presentation of results to insurance regulators and policy-makers; and preparation of public communications including a news release and materials for our website.

13) Are you releasing all of the results, or are you holding some back?

A13: We are releasing virtually all of the findings, with the exception of a few items where there was an insufficient base of responses for the results to be statistically valid.

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Appendix A To
CAFII Feedback Submissions To FCAC On Draft Consumer Education Online Materials

CAFII Outreach Questions & Answers on Creditor's Group Insurance and Alternate Distribution

1. What is Creditor's Group Insurance (CGI)?

- CGI, also known as credit insurance and creditor's insurance) is an optional, single purpose insurance product -- intended to be complementary to other types of insurance coverage -- that pays off an insured's outstanding credit balance or makes debt payments on the insured's behalf in the event of death, disability, job loss or critical illness.
- CGI gives individuals and families "peace of mind" that a debt will not become a burden if an unexpected event should occur. For example, CGI on a mortgage will pay off the debt in full if the income earner dies, thereby ensuring that the surviving family members do not lose their home.
- CGI is offered on mortgages, loans, lines of credit, credit cards, and business/farm loans, and can conveniently be applied for at the same time that a consumer is taking on a new debt.
- CGI is offered primarily by banks and credit unions across Canada, including CAFII members.
- A CGI policy is between an insurance company and a financial institution (group policyholder). A consumer is insured by being enrolled in the group.

2. What are the benefits/advantages of CGI?

- If a customer is unable to make debt repayments due to reasons such as death, disability or job loss, CGI ensures that the debt is paid off (in the case of death) or that the loan remains in good standing and the insured's credit rating is protected.
- As an optional benefit offered alongside a loan or mortgage product, CGI is inherently timely and convenient. Premiums can be included with the periodic debt repayments.
- Provides benefits not readily available elsewhere. For example, Job Loss CGI, a major component of the credit card CGI bundle, provides peace of mind in today's volatile economy and is broadly available to credit card customers but hard to acquire individually.
- Provides consumers with the opportunity to buy protection they might not otherwise be able to obtain, as approximately two-thirds of Canadian households, especially those in younger age brackets, do not have a life insurance agent or broker.
- Coverage is offered in exactly the amount of debt being taken on; and is competitively priced.

- CGI is offered through well-trained and supervised salaried staff at banks and credit unions, and provides Canadians with coast-to-coast access to simple, optional insurance coverage on a 24/7 basis through more than 8,000 branches, telephone contact centres, and online.

- CGI's group policy structure allows more Canadians to be insured standard rates, and almost all applicants are accepted.

3. Do Canadians really need CGI? Aren't they adequately covered through other types of insurance?

- A 2013 independent research study conducted by the Life Insurance Market Research Association (LIMRA) found that life insurance ownership in Canada is at a 30 year low and many households have insufficient coverage.

- Only 68% of households have life insurance, down from 79% seven years ago.

- 45% of households believe they need more life insurance, up from 38% in 2006.

- Canadian households have half the life insurance coverage they believe they should have. Among households that believe they need more coverage, they say they need enough coverage to replace 6.8 years of income while they actually have just 3.2 years of income coverage in place.

- Low and middle income households are at the greatest risk as the need for life insurance is highest among households with lower incomes and fewer assets to fall back on.

- One-third of Canadian households would have trouble meeting everyday living expenses in the event of the death, disability or critical illness of a primary wage earner.

- Lower and middle income Canadians have not been well-served by the "traditional" insurance industry because lower face value policies are not economical to distribute in a face-to-face model. Commission-based insurance agents and brokers are incented to pursue sales of fewer, larger policies to more affluent consumers.

- For many Canadians with smaller protection needs, CGI may be their only real insurance option.

4. Why is there such a large proportion of Canadians who are uninsured or under-insured in terms of life insurance?

- Life insurance offered by agents and brokers is commission-based; therefore, they focus on higher face value policies. An independent actuarial study (Avalon Actuarial, 2011) showed that the average new term life policy issued in Canada is now in excess of $400,000 whereas the average new mortgage insured through CGI is for approximately $200,000.

- Between 1995 and 2012, the average face value of a new individual life insurance policy (both term life and universal life) sold in Canada increased from $106,000 to $307,000, while the number of such policies sold annually decreased from 994,000 to 755,000. The focus of agents and brokers on a more affluent client base – to sell fewer but larger policies and optimize commission earnings – does not meet the needs of underinsured households.

- About two-thirds of households don't have a life insurance agent or broker, so financial institutions and CGI are key to meeting their insurance needs.

5. **How can CAFII members claim that CGI products make insurance simple, accessible, and convenient for Canadians?**
   - CGI is offered when a consumer is taking on a new debt, making it inherently timely and convenient to secure this protection. It can be put in place for a short duration to match the term of the mortgage or loan.
   - The application process is simple, with over 80% of applicants approved without detailed medical questionnaires and tests. Most application forms require answers to just a few questions related to medical conditions.
   - Enrolment is done in consultation with an advisor at the consumer's trusted financial institution: a well-established relationship through which consumers are comfortable seeking financial advice. The discussion is holistic, dealing with all of the client's insurance coverage. Full disclosure about the CGI product is provided.
   - CGI covers occupational groups and vocations that individual policies may not cover.
   - CGI is available at over 8,000 financial institution branches across Canada, over the internet, or through a telephone contact centre.
   - CGI distribution offers extensive geographic availability, making insurance protection accessible to all Canadians even those in small towns and remote areas.

6. **How difficult is it to qualify and get approved for CGI?**
   - CGI's group policy structure allows more Canadians to be insured at standard rates and almost all applicants are accepted.
   - An independent actuarial study (Avalon Actuarial, 2011) that compared Application Approval Rates for CGI versus Individual Life Insurance indicates that

     -CGI accepts 84% of applicants upon completion of a short form application; and an additional 10% are insured at the same standard rates following medical tests. Only 3% of applicants are denied coverage, while another 3% withdraw their application.

     -For Individual Life applicants, 73% are approved at standard rates following completion of a detailed application form and medical underwriting; and another 6% are approved for coverage at higher than standard rates. More than one-fifth (21%) of applicants are denied coverage.
   - CGI's standard rate pricing provides coverage for all approved risk groups despite risk differences (egs. smoker vs. non-smoker; blue vs. white collar; male vs. female).

7. **Does CGI exclude any applicant who has a pre-existing medical condition? How does CGI stack up against individual insurance for consumers who have a condition?**
   - The standard CGI pre-existing conditions clause is significantly more accommodating than the approach taken by individual insurance under the same circumstances.

- The pre-existing conditions clause found in most CGI policies is highly favourable for consumers who have certain pre-existing medical conditions, as it makes coverage possible for the vast majority of Canadians while managing the insurer's risk.

- Specifically, pre-existing conditions clauses in CGI allow people with pre-existing conditions to obtain coverage at standard premium rates and – other than for the pre-existing conditions – they can make a claim at any time. After the pre-existing condition exclusion period ends (typically x year(s)), they can make a claim for the pre-existing conditions as well.
- In contrast, with individual insurance coverage, people with pre-existing conditions would either not be able to obtain any insurance or would pay a higher premium.

8. Are consumers made aware of pre-existing condition clauses as part of the application process?

- Yes, pre-existing condition clauses are disclosed to consumers at the time of application and sale: on (i) the application form which must be signed by the consumer; and (ii) in the certificate of insurance.

- in the telephone and internet sales channels, all scripts include disclosure of pre-existing condition clauses and policy limitations.

- sales practices mandated by the Canadian Bankers' Association Code of Conduct for Authorized Insurance Activities require the sales person to explain product coverages, exclusion clauses, and limitations to the consumer.

9. How does the application process work?

- The application and underwriting process for CGI is simple and straightforward, and typically includes the following steps:

  -consumers apply for CGI by completing an application form that includes several questions about their health.

  -If the consumer answers "No" to all of the health questions, then the insurer takes them at their word and trusts that the information provided on the application is accurate. The consumer is approved for coverage effective on the date indicated on the application form.

  -If the consumer answers "Yes" to any of the health questions, then he/she is required to complete a more detailed health questionnaire which is forwarded to the insurance company for further consideration.

  -the insurer will carry out a detailed underwriting analysis. Once a decision is made by the insurer on whether the applicant meets the criteria associated with the particular CGI product, the insurer advises the applicant in writing.

10. What percentage of CGI claims are paid versus denied?

- 95% of mortgage life CGI claims are paid, which is similar to the claims approval rate for individual life insurance.

- That claims approval rate comes from an independent actuarial study (Avalon Actuarial, 2011).

11. What about that 5% of claims that are denied? Why are they denied?

- Due to the very small percentage of denied claims, we don't have industry-level statistics on the reasons for denial. However, the following standard reasons for not paying a claim are noted in the CGI certificate of insurance:

  -suicide within the first two years of the policy;

  -death as a result of driving while intoxicated or as a result of a criminal offence; or
  -a false declaration on the insurance application.

12. How does the claims review and adjudication process in CGI work?

- Just as in the adjudication of claims in other types of insurance, the insurance companies that underwrite CGI perform a thorough and fair review of all claims to ensure that they comply with the terms and conditions stated in the Certificate of Insurance. An analysis is done to verify that the circumstances of the incident triggering the claim meet the terms of the contract signed by the insured.

- As with any insurance product, there are some coverage exclusions which could make a claim ineligible, including misrepresentation of information required on the insurance application. CGI uses Industry Standard Key Limitations and Exclusions. Details of any limitations and exclusions are disclosed to the consumer at the time of application and set out in the certificate of insurance.

- As part of the claims adjudication process, the medical history of a CGI claimant can be reviewed by the insurer to ensure that the claimant didn't commit fraud when completing the application.

- Very few CGI claims are denied due to misrepresentation of health status. There is no systemic problem with difficult-to-understand application forms ultimately leading to claims denials.

- When a situation of misrepresentation of health status is discovered, with most distributors of CGI (typically CAFII members), a claim will only be denied within the first two years after the Certificate of Insurance was issued (the "contestability period").

- It is in the best interests of banks and credit unions, as distributors of CGI, to have their third party insurers pay all claims. Financial institutions are interested in maintaining a long-term, full spectrum financial services relationship with their clients, and have no interest in seeing CGI claims denied.

- It is not in the best interests of the insurers that underwrite CGI to deny claims without good reason, and upset a group policyholder.

- CGI is underwritten and claims are adjudicated by the same Canadian life insurance companies that offer individual life and health insurance products.

13. **What does "misrepresentation" mean?**
    - Misrepresentation in this context is the failure to disclose information, or providing false information, in response to questions, including medical questions, on an insurance application, whether the non-disclosure/falsification is intentional or not. The denial of a claim due to misrepresentation is a standard insurance industry practice, if material medical information was not accurately disclosed at the time of application and the underwriting and issuance of the policy. In offering CGI coverage, all CAFII members stress and impress upon clients the importance of full and accurate disclosure in answering health questions on the application.

14. **What must a consumer disclose to avoid misrepresentation?**
    - By answering up to three health questions on the application, the consumer must disclose truthfully and accurately any existing health conditions he/she has at the time of application.
    - If a consumer has any doubt about answering the health questions, he/she is always encouraged to answer "Yes" and thereby have their application undergo further underwriting; or to consult with their physician and return the application at a later time.

15. **Aren't the medical questions on the application form very complex, such that consumers have difficulty understanding them, answering them correctly, and avoiding misrepresentation?**
    - No. Compared to the application and underwriting process for individual insurance, CGI is straightforward and simple. With most CGI policies, the applicant is asked to answer up to three health-related questions in plain language that require the disclosure of any existing health conditions. "No" answers lead to immediate approval for coverage.
    - In contrast, individual term insurance applications can be as long as 25 pages and it can often take up to three months for a policy to be underwritten and issued.
    - Both CGI and individual term insurance require full disclosure and consumer signatures to ensure that clients are protected from miscommunication.

16. **Isn't one of the inherent flaws of CGI that it is not medically underwritten until the time a claim is made, which can lead to a denial of a claim when the consumer thought that he was fully insured and had purchased "peace of mind"?**
    - No, CGI products are not subject to post-claim underwriting. The typical application and underwriting process for CGI follows these steps:

      -consumers apply for CGI by completing an application form that includes several questions about their health.

      -If the consumer answers "No" to all of the health questions, then the insurer takes them at their word and trusts that the information provided on the application is accurate. The consumer is approved for coverage effective on the date indicated on the application form.

      -If the consumer answers "Yes" to any of the health questions, then he/she is required to complete a more detailed health questionnaire which is forwarded to the insurance company for further consideration.

-the insurer will carry out a detailed underwriting analysis. Once a decision is made by the insurer on whether the applicant meets the criteria associated with the particular CGI product, the insurer advises the applicant in writing.

-for some coverages, eg. lower value loans, there may not be any health questions asked on the application form; and in such cases, coverage is automatically approved. For such coverages that are not underwritten at the time of application, there is no misrepresentation exclusion. However, benefits will be paid for the covered event (death or disability) subject to a pre-existing health exclusion. The exclusion applies if death or disability occurs within six to 12 months (depending on the policy) of the enrolment date, and the event was caused by or related to a health condition that pre-existed for six to 12 months (depending on the policy) prior to enrolment and for which the insured has received treatment. All other medical conditions will be covered from the enrolment date.

17. **Can having a routine medical exam such as a blood pressure test or a mammogram have an impact on a subsequent CGI claim?**

- No. Tests that are part of a routine health check that result in no indication of a health problem will have no bearing on a claim.

- Tests that are undertaken because of a known health issue and are being used to verify the extent of the health condition are not reported by the client could lead to a claim being denied based on the client misrepresenting his/her health status.

- The health-related questions on CGI applications are intended to identify customers who are in good health and provide them with immediate coverage. They are also intended to identify customers who have health conditions (eg. being treated for a disease) so that they can go through more thorough underwriting.

- Health questions must be answered honestly and completely. If a customer is unsure about how to answer a health question, he/she should simply answer “yes” to permit more thorough underwriting.

18. **Do banks and credit unions knowingly sell CGI to people, aware that many misrepresent the facts concerning their health – and thereby collect premiums falsely because when they’re asked to pay a claim, the banks deny the claim by proving the falsity?**
    - No, that is completely false. For the vast majority of CGI products that are medically underwritten at the time of application, customers are eligible to claim benefits for all covered conditions with the exception only of conditions that pre-existed six to 12 months (depending upon the policy) prior to enrolment. After six to 12 months from the effective date of coverage (depending upon the policy), customers are eligible to claim benefits for all covered conditions regardless of their health status at the time of application.

    - It is in the best interests of banks and credit unions, as distributors of CGI, to have their third party insurers pay all claims. Financial institutions are interested in maintaining a long-term, full spectrum financial services relationship with their clients, and have no interest in seeing CGI claims denied.

- It is not in the best interests of the insurers that underwrite CGI to deny claims without good reason, and upset a bank group policyholder.

19. Which insurance companies underwrite CGI?

- The insurers that underwrite CGI are the same large and reputable companies – Canada Life; Sun Life; Canadian Premier Life; Assurant Solutions; etc. – that underwrite individual life insurance policies.

20. Is there an appeals process for clients that disagree with a denial of their claim?

- Yes. Clients who are not satisfied with the decision rendered by the insurer can appeal the decision directly through the insurance company, in the first instance. If the consumer remains unsatisfied after the insurer has reviewed and made a decision on the appeal, the consumer has a further avenue of appeal through an independent, third party such as the OmbudSerive for Life and Health Insurance (OLHI).

21. Isn't CGI mortgage insurance inferior to individual term life insurance on a value-for-money basis?

- CGI mortgage life is affordable and competitive with term life insurance, while being more advantageous for some consumers. For example, CGI can be put in place for a short duration to match the term of a loan.

- An independent actuarial study (Avalon Actuarial, 2011) found that CGI premiums are very competitive with the premiums for comparable individual term life coverage.

- CGI mortgage life premiums are typically lower than term life for younger lives, males, smokers, and smaller amount coverages.

- CGI typically offers a level premium for duration of the original debt, be it five or 35 years.

- CGI's pricing model based on initial age and initial balance, with the benefit paid on the declining balance, equalizes the premium over the mortgage term, making coverage more affordable and accessible for younger, lower net worth, lower income borrowers.

- Over the life of a typical mortgage, the premium costs of CGI versus Term 10/20 life insurance are very competitive.

- That said, Canadians clearly see CGI as part of their complete insurance portfolio. An independent Life Insurance Marketing and Research Association (LIMRA) survey of life-insured households in Canada found that the majority that have CGI on their mortgage also own individual life insurance.

22. **Why is it that with CGI mortgage life, the coverage declines as the mortgage is repaid but the premiums don't decline?**
    - Premiums on CGI mortgage life do not decline over time -- by design. Instead of charging a higher premium at the beginning and allowing it to decrease as the mortgage balance covered goes down, the CGI pricing structure is designed to have a lower, affordable premium at the outset and hold it constant. This assists clients to budget and manage expenses by providing a lower, level premium over the life of the mortgage which can be an attractive feature, particularly in the early years, when cash flow can be an issue.

    - Also while the amount of coverage goes down as the mortgage balance declines, the CGI premium has the offsetting advantage of staying constant and not increasing as the customer ages, which would be the case with individual life insurance.

23. **Isn't CGI really just a product that benefits the financial institution because the payout goes to the bank?**
    - No. The purpose of CGI is to protect consumers. That's why it's available in the marketplace and why tens of thousands of Canadians opt for it.

    - CGI mortgage life protects consumers by making sure that the mortgage is paid off in the event of the insured's death; and by maintaining their credit worthiness. It helps families to stay in their homes if something unforeseen happens. That's the coverage that people are paying for.

    - So it is indeed in the consumer's best interests to have CGI in place to eliminate a major debt in the event of an untimely death.

24. **Where does CGI fit in terms of a family's overall financial plan?**
    - CGI is complementary to other insurance coverage, an immediate and reliable protection solution for increased borrowing, and a component of a sound financial plan.

    - By directly covering a specific debt obligation, CGI frees up other individual and group life and disability coverage to protect a family's quality of life by covering such costs as medical, education, child care, and burial expenses; capital gains taxes, etc.
    - Approximately 60% of Canadian households with CGI on their mortgage also have individual life insurance.

    - Combined with individual and group disability coverage (typically capped at 70% of income), CGI provides complementary coverage and contributes to full protection in the event of death or a disability. All should be considered as components of a sound family financial plan.

25. **What does "alternate distribution" mean in the insurance business?**
    - Alternate distribution providing consumer with access to insurance through channels other than the traditional face-to-face distribution channel of licensed agents and brokers. It means using alternative delivery channels such as the internet and telephone contact centres, to complement the opportunity to purchase CGI in-branch, thereby improving choice and access to coverage for all Canadians.

26. What benefits and advantages does alternate distribution provide for consumers?

- Choice. In today's technology-enabled world, consumers are demanding choice in accessing and buying insurance.

- Convenience. Offered alongside a loan, credit, or mortgage product, CGI is inherently timely and convenient. Premiums can be included with the periodic debt payments. The claims process is simple and straightforward. The consumer always has the option to purchase or decline CGI.

- Accessibility. Consumers have access to CGI through thousands of bank and credit union branches, over the internet, or by telephone. CGI offers broad geographic availability, making insurance accessible in small towns and remote areas and enabling all Canadians to be protected.

- Simple and affordable products available through well-trained and supervised client service representatives.

27. **How is CGI sold? Where can consumers buy it?**

- CGI is offered by banks and credit unions and provides Canadians with coast-to-coast access to simple, optional insurance solutions at their convenience, on a 24/7 basis, through branches, contact centres, and the internet.

28. Shouldn't CGI be sold only by licensed insurance agents?

- government regulation generally does not require individual licensing to enroll a customer in a group insurance plan, such as CGI.

- CGI offered by CAFII members features a simple product design and straightforward enrolment process.

- CGI's application forms (typically 1 page), Certificates of Insurance, and underwriting process are much simpler than are the same aspects of individual life insurance.

- CAFII member client service representatives are well-trained on the products they sell and highly supervised both in branch and in client contact centres.

- CAFII members comply with all legislation and regulations, and with industry guidelines and codes of conduct governing the offering of CGI.

29. Are there regulatory requirements and related consumer protections governing the sale of CGI?

- Yes. CGI is tightly regulated. The consumer has access to a robust complaints resolution system; and industry practices give the consumer time to consider the purchase.

- Banks and credit unions are highly regulated in all of their activities including the selling of CGI. CGI is offered in the context of a strong consumer protection regime that includes federal and provincial legislation and industry codes.

- The selling practices of CAFII members are monitored by the Financial Consumer Agency of Canada (FCAC) and by the provincial insurance regulators for compliance with industry guidelines and codes of conduct. The insurer underwriters of CGI are regulated by both provincial insurance regulators and the federal Office of the Superintendent of Financial Institutions (OSFI).

- The FCAC tracks enquiries and complaints from the public pertaining to the financial marketplace, including complaints about CGI.

- Consumers have a "free look" period, typically 20 to 30 days, during which they have insurance coverage and can read over their material and assess any other options. If they decide they do not want the Creditor Insurance coverage, they can discontinue and receive a full premium refund. Alternatively, after the free look period, they can cancel coverage at any time and pay no further premiums.

- The negligible number of complaints about CGI to any regulator shows that it meets a consumer need and that the current mix of government and industry regulation is working.

30. Do bank staff pressure clients by implying that taking CGI is mandatory to receive the mortgage, loan, or credit card?

- No. CGI products are optional and are part of a bank's larger financial relationship with a customer. Full disclosure about CGI is provided and the decision to purchase or decline the product is entirely the client's. CAFII member Financial Institutions would not jeopardize the overall customer relationship for the sake of selling an additional product.

- Coercive tied selling is a violation of the Bank Act; and the CBA Code of Conduct for Authorized Insurance Activities prohibits any form of pressure or coercion.

- CAFII member client service representatives are trained on the Bank Act, the CBA Code, Canadian Life and Health Insurance Association Guidelines, and federal privacy legislation. Engaging in this type of behavior can result in disciplinary action or outright dismissal.

31. How do the banks that distribute CGI help consumers to make a sound financial decision?

- CAFII member client service representatives use plain language and clear communication to help consumers understand exactly what they are buying. Their objective is to give customers the information they need to make an informed and sound decision.

- They are trained to point out features and limitations of the insurance and answer customer questions. In addition, information is available on our members' websites and consumers are given a toll-free phone number to call with any questions.

- CAFII members provide marketing materials and certificates, detailing coverages and exclusions in a manner that is easy to understand. CAFII members are always working to improve clarity.

- Customers can take their time to do a full review of all materials - they have a generous "free look" period, typically 30 days, during which time they have insurance coverage and can cancel with a full premium refund.

32. What sort of training do the people who sell CGI receive?

- All CAFII member client service representatives are required to undergo comprehensive and recurring training to ensure that they provide consumers with accurate and reliable information.

- That training ensures that representatives offering CGI have the knowledge and skills to do their jobs and serve clients well. It also ensures that they act in accordance with

  -the CBA Code of Conduct for Authorized Insurance Activities;
  -the Bank Act, regarding tied selling;
  -federal privacy legislation; and
  -CLHIA's Guidelines on Creditor's Group Insurance.

- CAFII member client service representatives are also highly supervised both in branch and in client contact centres.

33. Do the people who sell CGI earn a commission?

- No. All CAFII member client service representatives are salaried staff and do not earn sales commissions.

34. What is the level of consumer satisfaction with CGI products?

- The level of consumer satisfaction with CGI is high. An independent Pollara study found that 92% of Canadians who had purchased CGI said that the coverage gave them "peace of mind" that their family would be protected in the event of a death or disability. There have been so few complaints to regulators about CGI products that the number is statistically insignificant.

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Agenda Item 4(j)
June 25/19 EOC Teleconference Meeting

From: Thorn, Peter <Peter.Thorn@td.com>
Sent: June-14-19 1:34 PM
To: Brendan Wycks <brendan.wycks@cafii.com>; Keith Martin <Keith.Martin@cafii.com>
Subject: CP Customer Feedback

Hi Brendan and Keith…

As I was looking at this email from one of our branch staff, I thought, wouldn't it be great if we could somehow post this type of feedback on the CAFII site, to help illustrate the value of the product.

What do you think?

Peter Thorn I Senior Manager I Life & Health Product Operations I **TD Insurance**
320 Front Street West, 2nd Floor, Toronto, ON M5A 2P9
T: 416 756 8380 (no voicemail) I M: 905 469 0155
peter.thorn@td.com

Subject: CP Story

An experience I had that really hit home the value of CP:

A regular client called me to book an appointment, she had been recently diagnosed with breast cancer and was completing the claim documents for her CP, her ask was that I complete the branch section of the paperwork.

When I met with her she was very concerned about putting in the claim. She was 34 years old with three young children, her and her husband own their own business. She had been very recently diagnosed with breast cancer, the prognosis was fortunately very good but she would definitely have to go through treatment. She had life and critical illness on her mortgage and on her two fully extended ULOCS. Her worry was that, because her prognosis was so good, her claim would be denied and she would lose coverage going forward. In the end she decided to move ahead with her claim.

A week or two later I was planning a follow up call, to prepare for the call I went in to see if her claim was paid out. Her ULOCS had been paid in full and her mortgage had been partially paid leaving a nominal balance. I called the client to let her know that she had the option to decrease the monthly payment amount on her mortgage to help lower her financial obligations and hopefully reduce stress while she was going through treatment.

The client answered, I checked in and let her know the purpose of my call. She started sobbing on the other end of the line. She let me know that she was, at that moment, sitting in the hospital. She had just undergone her first round of chemo and was experiencing very bad side effects. She had not yet received the letter to advise her of her claim status and was not aware that her facilities had been paid. She said "I can't begin to explain the relief you've brought me, this has been the worst day of my life and you've made it better."

A week or two later she called me to ask some questions about her mortgage. She let me know that she had been skeptical of credit protection and really did not believe her claim would be paid. She said the process was easier and faster than she could have ever imagined and she would recommend the product to anyone.

British Columbia | 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.

<table>
<tr><th>Fee Name</th><th>Current Fees</th><th>NEW
(2020/21)</th></tr>
<tr><td>Insurance Company Annual Fees</td><td>$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</td><td rowspan="2"><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></td></tr>
<tr><td>Extraprovincial Insurance Corporation Annual Fees</td><td><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></td></tr>
</table>

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*.

Insurance Council
BRITISH COLUMBIA
+1 (604)-688-0321 Toll Free : 1-877-688-0321

June 5, 2019

Canadian Association of Financial Institutions in Insurance
Att: Brendan Wycks and Keith Martin
200 – 411 Richmond Street East
Toronto, Ontario M5A 3S5

Dear Brendan Wycks and Keith Martin:

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

The Insurance Council of British Columbia ("Council") will be updating its guidance for the New Life Agent Supervision Requirement to provide a greater level of protection to the public.

Prior to implementation, Council is seeking industry feedback on the contents of its updated guidance, including the updated *Supervisor Undertaking Form* as well as the two new forms: *Confirmation of Completion Form* and *Process Review Statement*.

Council values your comments, which may be submitted until the end of the day Friday, July 5, 2019.

Please direct your comments in electronic format to: feedback@insurancecouncilofbc.com.

Once the consultation period is complete, Council will review the feedback and publish a final guidance on the supervision of new life and/or accident and sickness insurance agents.

Yours truly,

Brett Thibault
Director, Governance and Stakeholder Engagement

Encl.

NOTICE

INSURANCE COUNCIL OF BRITISH COLUMBIA
(“Council”)

Consultation on Updated Guidance for New Life Agent Supervision Requirement

Council first introduced its mandatory supervision requirement for new life and/or accident and sickness insurance agents (“New Life Agent”) in 2012 (as per Council Notice ICN 12-005 *Supervision of New Life and/or Accident & Sickness Insurance Agents*) after finding that the level of oversight of New Life Agents varied substantially across the industry.

As part of its ongoing review of the mandatory supervision requirement, Council found that there are inconsistent levels of oversight being used by life and/or accident and sickness insurance agent supervisors (the “supervisor”) across the industry and a general lack of understanding for the role of the supervisor. For example, some New Life Agents were unable to identify the name of their supervisor, while some supervisors were found to be overseeing hundreds of New Life Agents at one time, without any knowledge of the day-to-day business practices of the New Life Agent. Council investigations have identified that some supervisors have minimal or no direct interaction with the New Life Agent throughout the mandatory supervision period and some supervisors delegate most, if not all, supervision duties. Council believes that these types of practices do not adequately protect the public, thus further guidance is required.

To help supervisors and New Life Agents be compliant with their responsibilities under Council Rules, Council has updated its guidance, including updating the *Supervisor Undertaking Form* and is introducing two new forms: the *Confirmation of Completion Form*, which is mandatory and a *Process Review Statement*, which is recommended for use. These forms have been designed to guide supervisors and New Life Agents in understanding their duties and obligations, and to act in the public’s best interest.

Council believes that its updated guidance, in particular the new forms, will ensure a more consistent level of supervision of New Life Agents in British Columbia, which will ultimately provide a greater level of protection to the public.

Prior to implementation, Council is seeking industry feedback on the contents of its updated guidance, including the above-named forms.

Read the updated guidance on the supervision requirement.

Comments may be submitted until the end of the day **Friday, July 5, 2019**.

Please direct your comments in electronic format to: **feedback@insurancecouncilofbc.com**.

Suite 300, 1040 West Georgia Street
P.O. Box 7, Vancouver, B.C. V6E 4H1
insurancecouncilofbc.com
Telephone: 604-688-0321
Toll-Free Within Canada: 1-877-688-0321

If you wish to send comments in paper format, please direct them to Council's office.

Once the consultation period is complete, Council will review the feedback and publish final guidance on the supervision of New Life Agents.

If you have any questions regarding this Notice, please contact Regulatory Services by calling 604-694-2008.

June 5, 2019
ICN 19-003

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UPDATED GUIDANCE ON THE SUPERVISION REQUIREMENT FOR NEW LIFE AND/OR ACCIDENT & SICKNESS INSURANCE AGENTS

BACKGROUND

The Insurance Council of British Columbia ("Council") first introduced its mandatory supervision requirement for new life and/or accident and sickness insurance agents ("New Life Agent") in 2012 (as per Council Notice ICN 12-005 *Supervision of New Life and/or Accident & Sickness Insurance Agents*) after finding that the level of oversight of New Life Agents varied substantially across the industry.

As part of its ongoing review of the mandatory supervision requirement, Council found that there are inconsistent levels of oversight being used by life and/or accident and sickness insurance agent supervisors (the "supervisor") across the industry and a general lack of understanding for the role of the supervisor. For example, some New Life Agents were unable to identify the name of their supervisor, while some supervisors were found to be overseeing hundreds of New Life Agents at one time, without any knowledge of the day-to-day business practices of the New Life Agent. Council investigations have identified that some supervisors have minimal or no direct interaction with the New Life Agent throughout the mandatory supervision period and some supervisors delegate most, if not all, supervision duties. Council believes that these types of practices do not adequately protect the public, thus further guidance is required.

In light of these situations, Council has updated its guidance for supervisors and New Life Agents regarding their responsibilities under Council Rules.

THE NEW LIFE AGENT

A New Life Agent is an individual who has not held an active licence of the same class for a minimum of 24 months. Licensing in another Canadian jurisdiction will be taken into account when considering the amount of time a New Life Agent has been licensed. **Non-resident applicants** who are licensed in their home jurisdiction are required to meet this supervisory requirement. Council will permit the use of a non-resident supervisor, as long as the non-resident supervisor meets the stated requirements and currently holds an active licence in British Columbia.

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. In these cases, the applicant or New Life Agent may request to have the period of mandatory supervision reduced. The period of mandatory supervision may be reduced by up to 12 months.

.../2

Unless otherwise approved by Council, a New Life Agent must only conduct insurance activities under the supervision of a supervisor. If a New Life Agent ceases to be supervised prior to completing the mandatory supervision period the New Life Agent must immediately cease all insurance activities and notify Council in writing that they no longer have an active supervisor. The New Life Agent's licence will automatically become inactive until Council receives and approves an undertaking from a new supervisor.

THE SUPERVISOR

A qualified supervisor is an individual who holds an active British Columbia licence, and can demonstrate that they have been an active, licensed life and/or accident and sickness agent in a Canadian jurisdiction for a minimum of five of the last seven years. Council will consider exceptions to the minimum five years' experience requirement where a licensee can demonstrate alternate, relevant experience and/or education.

There are a number of factors a supervisor should consider prior to agreeing to be a supervisor, including the obligations to Council that come with this role.

THE SUPERVISOR'S RESPONSIBILITIES

A supervisor's duties include the following, at a minimum.

1. Should a supervisor decide to withdraw as a new life agent's supervisor before the mandatory supervision period is completed, the supervisor must provide written notification to Council within 5 business days. Until written notification is received by Council, the supervisor remains accountable for the New Life Agent. The supervisor must also provide the reason for ceasing to supervise a New Life Agent if the reason for ceasing to supervise relates to a New Life Agent's suitability or conduct as a licensee.

2. At the end of the 24 months mandatory supervision period, the supervisor must submit the Supervision Period: Confirmation of Completion form to Council.
3. The supervisor should inform the New Life Agent of the New Life Agent's responsibility to complete a needs analysis for the sale of every insurance contract, including segregated funds, and of the New Life Agent's responsibility to present the needs analysis and application to the supervisor to be reviewed.
4. The supervisor should complete and countersign the Supervision Process Review Statement, declaring that the supervisor has reviewed the New Life Agent's proposed recommendations for the client.
5. The supervisor should assist the New Life Agent in developing procedures regarding proper practice and record keeping.

6. The supervisor should ensure that the New Life Agent is representing themselves to the public in the manner in which they are licensed.
7. The supervisor should maintain all supervision related documents, including statements, a summary of the supervisor's meetings with the New Life Agent, and any notes concerning the New Life Agent's progress.
8. The supervisor is expected to make recommendations for ongoing education relevant to the New Life Agent's area of practice and/or provide ongoing training to ensure the New Life Agent has appropriate product knowledge and awareness of regulatory requirements.
9. A supervisor should not have more than 25 New Life Agents under their oversight at any time.
10. The supervisor's accountability to Council is not altered should the supervisor delegate any of the supervisory responsibilities to a designate. Such designate must also hold the qualifications required to be a supervisor.

It is the supervisor's responsibility to determine what additional supervision duties are required to ensure that there is an adequate level of supervision for the New Life Agent.

The supervisor will be held mutually responsible, along with the New Life Agent, and may face potential disciplinary action where sales practices and client recommendations are not made in accordance with regulatory requirements.

Council recommends all supervisors confirm with their errors and omissions carrier that their coverage is adequate for their supervision responsibilities.

To help supervisors be compliant with their responsibilities under Council Rules, Council has updated its supervisor undertaking form and is introducing two new forms: the confirmation of completion form, which is mandatory and a process review statement, which is recommended for use. These forms have been designed to guide supervisors and New Life Agents in understanding their duties and obligations, and therefore act in the public's best interest.

NEW LIFE AND/OR A&S AGENT SUPERVISOR UNDERTAKING FORM (UPDATED FORM: MANDATORY)

A New Life Agent is required to demonstrate, as part of the licence application, that a qualified, licensed individual, has agreed to act as their supervisor. In order to meet this requirement, Council's application form for an individual licence includes a mandatory supervisor undertaking form, which must be completed by a qualified licensee stating that they are agreeing to act as the supervisor. **The completed form must be submitted before the application can be finalized**. Council has updated this form to clarify what is required of supervisors and New Life Agents during the mandatory supervision period.

A copy of the updated supervisor undertaking form is attached to this document

SUPERVISION PERIOD: CONFIRMATION OF COMPLETION (NEW FORM: MANDATORY)

The standard, mandatory supervision period is 24 months of active licensing. If a New Life Agent's licence is inactive, suspended, or terminated at any time during the 24-month period, the mandatory supervision period will continue until the New Life Agent has accumulated 24 months as an active licensee. Once a New Life Agent has accumulated the required 24 months of active licensing, the supervisor must complete the confirmation of completion form and submit it to Council no later than 10 days after the date on which the mandatory supervision period ends. This new form requires supervisors to formally communicate their observations of the New Life Agent during the mandatory supervision period. The mandatory supervision period will continue until the confirmation of completion form is reviewed by Council, including the supervisor's confirmation that the New Life Agent is recommended for an unsupervised licence. If the supervisor does not recommend the New Life Agent for an unsupervised licence the mandatory supervision period will continue until such time as the supervisor provides confirmation that they recommend the licensee for an unsupervised licence.

A copy of the confirmation of completion form is attached to this document.

SUPERVISION PROCESS REVIEW STATEMENT (NEW FORM: RECOMMENDED)

It is the supervisor's responsibility to ensure there is an adequate level of supervision for a New Life Agent. Where an issue with a New Life Agent's practice comes to Council's attention, the supervisor is required to demonstrate that an appropriate level of supervision was in place in the circumstances.

Council has created a process review statement for supervisors to document their supervision related activities. Although not mandatory, Council recommends that the process review statement, or something similar, be completed for every file that the supervisor reviews.

A copy of the process review statement is attached to this document.

CONCLUSION

Council believes that its proposed updates, in particular the new forms, will ensure a more consistent level of supervision of New Life Agents in British Columbia, which will ultimately provide a greater level of protection to the public. The official implementation of the updated guidance for supervisors and New Life Agents regarding their responsibilities under Council Rules and the new forms is to be determined.

Failure to adhere to the mandatory supervision requirement will be viewed as a breach of the usual practice of the business of insurance and could result in disciplinary action.

For details on the licensing process, refer to Council's website at insurancecouncilofbc.com.

SECTION 1 APPLICANT/LICENSEE INFORMATION

Licence Number (if applicable):
Legal first name:
Legal middle name(s):
Legal last name:

Select ONE only. This form represents:	
☐ Part of a Licence Application	☐ Appointment of New Supervisor

SECTION 2 APPLICANT/LICENSEE QUALIFIED DESIGNATIONS

Note: If you do not have one of the following designations listed below – leave this section blank and proceed to Section 3.

I currently hold one of the following designations and am requesting a reduction in the 24 month supervision requirement under Council Rules:

☐ Chartered Life Underwriter	☐ Certified Financial Planner	☐ Registered Financial Planner

Attach a copy of your designation (if applicable). By signing below, you are confirming that your designation is current. If you have any questions as to whether your designation is current, please call the organization that granted the designation.

SECTION 3 APPLICANT/LICENSEE DECLARATION & SIGNATURE

I, the undersigned, affirm that all information being submitted is accurate and complete. If I am appointing a new supervisor, I confirm that I have advised my existing supervisor on record with Council of the change. My new supervisor is aware of and has consented to all other business activities I am engaged in, if any. I will provide the supervisor signing this undertaking a copy of all insurance related material for each life and/or A&S insurance application that I prepare during the period of supervision.

SIGNATURE OF APPLICANT/LICENSEE ______________________________

DATE SIGNED (MM/DD/YYYY) ______________________________

SECTION 4 SUPERVISOR DECLARATION & SIGNATURE

I, the undersigned, affirm that all the information being submitted is accurate and complete, and that I am qualified under Council Rules to act as a supervisor for this Applicant/Licensee. I agree to supervise this Applicant/Licensee, and understand that this Applicant/Licensee must only conduct insurance activities under my supervision. I will review all insurance related material for each life and/or A&S insurance application that the Applicant/Licensee prepares during the period of supervision. Additionally, I will provide the Applicant/Licensee with adequate mentoring so that the Applicant/Licensee develops appropriate skills, procedures, and record keeping practices. I understand that under Council Rules, I am required to notify Council in writing within five (5) business days if I cease to act as the Applicant/Licensee's supervisor; and to include in the notification the reasons for withdrawing as supervisor if they relate to the person's suitability or conduct as a licensee.

SIGNATURE OF SUPERVISOR ______________________________

PRINT FULL LEGAL NAME OF SUPERVISOR ______________________________

LICENCE NUMBER ______________________________

DATE SIGNED (MM/DD/YYYY) ______________________________

**Note:* Any Supervisor seeking an exemption to the minimum five years' experience requirement must make a separate submission outlining their qualifications, including confirmation of licensed experience in another Canadian jurisdiction, if applicable. Once an exemption is granted, a Supervisor does not need to resubmit the request with subsequent Supervisor Undertakings.

Note:
This Form must be filed with Council.

SUPERVISION PERIOD: CONFIRMATION OF COMPLETION

For details on supervision requirements, refer to Council's website at insurancecouncilofbc.com.

INSTRUCTIONS: THIS FORM MUST ONLY BE COMPLETED IF THE MANDATORY SUPERVISION PERIOD IS COMPLETE. THE SUPERVISOR MUST SUBMIT THIS FORM NO LATER THAN 10 DAYS AFTER THE DATE ON WHICH THE SUPERVISION PERIOD ENDS.

USE SECTION 3 TO MAKE ANY COMMENTS REGARDING THE SUPERVISED LICENSEE'S WORK AND APTITUDES AND YOUR RECOMMENDATION FOR COMPLETION OF THE SUPERVISION PERIOD. YOU MUST ANSWER ALL QUESTIONS.

SECTION 1 SUPERVISED LICENSEE INFORMATION

Licence Number:
Legal first name:
Legal middle name(s):
Legal last name:

SECTION 2 SUPERVISOR INFORMATION

Licence Number:
Legal first name:
Legal middle name(s):
Legal last name:

SECTION 3 SUPERVISOR STATEMENT

I believe that the supervised licensee complied with Council Rules and all regulatory requirements throughout the supervision period.

☐ Yes

☐ No

If you answered **no**, please explain why.

____

____

____

I believe that the supervised licensee has the knowledge and skills and has demonstrated the conduct and attitudes needed to undertake professional activities as a life &/or A&S agent.

☐ Yes

☐ No

If you answered **no**, please explain why.

____

____

____

I believe that the supervised licensee is able to handle files of a level of complexity corresponding to that usually assigned to individuals with a similar tenure of licenced experience.

☐ Yes

☐ No

If you answered **no**, please explain why.

___

___

___

I affirm that the supervised licensees work was reviewed throughout the supervision period.

☐ Yes

☐ No

If you answered **no**, please explain why.

___

___

___

I recommend the supervised licensee for an unsupervised licence for life &/or A&S insurance.

☐ Yes

☐ No

If you answered **no**, please explain why.

___

___

___

SECTION 4 SUPERVISED LICENSEE SIGNATURE

SIGNATURE OF LICENSEE ___

DATE SIGNED (MM/DD/YYYY) ___

SECTION 5 SUPERVISOR DECLARATION & SIGNATURE

I, the undersigned, affirm that all the information being submitted is accurate and complete.

SIGNATURE OF SUPERVISOR ___

DATE SIGNED (MM/DD/YYYY) ___

Note:
This Form must be filed with Council.

INSURANCE COUNCIL OF BRITISH COLUMBIA

SUPERVISION PROCESS REVIEW STATEMENT

For details on supervision requirements refer to Council's website at insurancecouncilofbc.com.

SECTION 1 SUPERVISOR DECLARATION AND SIGNATURE

I, ______________________________ (supervisor), affirm that I am a holder of an insurance licence authorizing me to transact the class of insurance for which I am completing this supervision statement. I also affirm that I am qualified in accordance with Council Rules to act as a supervisor.

I have reviewed the following insurance related material used or prepared by ______________________________ (supervised licensee) for ______________________________ (client) and believe that the insurance applied for is appropriate to the needs and circumstances of the client.

Category of Insurance (Check one or more)	☐ Accident & Sickness	☐ Life	☐ Segregated Funds

Purpose of Insurance (Check one or more)	☐ Income Replacement ☐ Debt Protection ☐ Business Protection ☐ Estate Preservation ☐ Other (Please Specify):	☐ Education Funding ☐ Charitable Giving ☐ Health & Travel ☐ Group Benefits

Insurance Product(s) Applied for:	
Insurance Amount(s) Applied for:	

Insurance Application Reviewed (If no, explain)	☐ Yes	☐ No ______________________________
Needs Analysis Reviewed (If no, explain)	☐ Yes	☐ No ______________________________
Policy Illustrations Reviewed (If no, explain)	☐ Yes	☐ No ______________________________

Life Insurance Replacement	☐ Yes	☐ No
(If Yes, LIRD and Written Comparative Analysis Reviewed)	☐ Yes	

Segregated Funds Leveraging	☐ Yes	☐ No
(If Yes, Disclosure Document Reviewed)	☐ Yes	

SIGNATURE OF SUPERVISOR ______________________________

PRINT NAME AND TITLE ______________________________

DATE SIGNED (MM/DD/YYYY) ______________________________

SECTION 2 SUPERVISED LICENSEE'S DECLARATION AND SIGNATURE

I, the undersigned, affirm that I have provided to the supervisor signing this Statement, a copy of all material I have used with the named applicant/client.

SIGNATURE OF SUPERVISED LICENSEE ______________________________

PRINT NAME ______________________________

DATE SIGNED (MM/DD/YYYY) ______________________________

Note:
Both licensees signing this Statement must retain a copy for their records.

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Agenda Item 4(m)
June 25/19 EOC Teleconference Meeting

From: Brendan Wycks
Sent: May-13-19 4:24 PM
Subject: CAFII Update From Jan Seibel, Financial and Consumer Affairs Authority of Saskatchewan (FCAA), Re Restricted Insurance Agent Advisory Committee

CAFII Board, EOC, and Other Committee Members:

Keith Martin and I just had a short update call with Jan Seibel, Director, Insurance and Real Estate Division at Saskatchewan's Financial and Consumer Affairs Authority (FCAA).

Jan confirmed that provisions for the creation of a Restricted Insurance Agent Advisory Committee to the Insurance Councils of Saskatchewan (based on a joint proposal from CLHIA and CAFII in August 2018) have been included in draft new bylaws for the Insurance Councils of Saskatchewan (ICS) which were prepared by ICS staff executives Ron Fullan and April Stadnek. Those draft bylaws currently sit with Superintendent of Insurance Roger Sobotkiewicz for review and approval.

Jan also advised that given that the terms of reference provisions for the RIA Advisory Committee reside in proposed/pending bylaws which will not have force and effect until January 1, 2020, legally/technically speaking that committee should not be launched until January 1, 2020.

However, if the industry would like to see a soft launch of the new RIA Advisory Committee occur before the beginning of next year, that should be discussed with the ICS. If a proposal for an early launch comes forward from the ICS, the Superintendent would be willing to give it consideration.

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Agenda Item 4(n)
June 25/19 EOC Teleconference Meeting

From: Weir, David (FCNB) <david.weir@fcnb.ca>
Sent: June-14-19 1:28 PM
To: Brendan Wycks <brendan.wycks@cafii.com>; Keith Martin <Keith.Martin@cafii.com>
Subject: Restricted licences for incidental sellers of insurance

Hello Brendan and Keith,

It was great to see you and chat earlier this week.

As I mentioned, I was hoping to get your thoughts on a certain matter. As part of our *Insurance Act* rewrite, we are looking at creating a licensing regime for "incidental sellers of insurance". We are currently drafting a consultation paper. Although the regime will be based on the existing models in Alberta, Manitoba and Saskatchewan, there will be some differences. You will see our proposals when the paper is released. Most of the regime will be set out in regulation, similar to Manitoba's model, with only a few enabling provisions in the Act. Given that we may have some tight timelines with respect to getting changes to the Act, we may be seeking those changes before the formal consultation has been finalized. Therefore, I am reaching out to you informally to get your insights on this particular issue.

In each of the jurisdictions with a restricted licensing regime, they refer to the licensed entities as "restricted insurance agents" . We are not sure that we are comfortable with this wording as we currently use "agent" for individuals in the traditional market rather than entities (i.e, businesses). Therefore we are contemplating referring to the licences as "incidental sellers of insurance licences". As stated, we would welcome your thoughts on this name.

Thank you in advance for your input.

David Weir
Tel/Tél : 866-933-2222
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Financial and Consumer Services Commission
Commission des services financiers et services aux consommateurs

FCNB

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Agenda Item 4(o)

June 25/19 EOC Teleconference Meeting

FCNB Informal Consultation On Licensing Exemptions

From: Weir, David (FCNB) <david.weir@fcnb.ca>
Sent: April-03-19 11:03 AM
To: Brendan Wycks <brendan.wycks@cafii.com>; Keith Martin <Keith.Martin@cafii.com>
Subject: Exemptions from licensing - Request for feedback.

Hello Brendan and Keith,

I hope that you are well. Please find attached a request for feedback.

David Weir

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Financial and Consumer Services Commission

Commission des services financiers et services aux consommateurs

FCNB

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Licensing Exemptions

As you are aware, the Financial and Consumer Services Commission of New Brunswick has undertaken a review of out *Insurance Act* with the goal of carrying out a complete rewrite. At this time, we are focusing on intermediary licensing and market conduct. In 2015, the Commission issued a Position Paper with proposals for updating the licensing regime for other-than-life agents and brokers. The Paper, entitled *Modernizing the Insurance Licensing Framework*, proposed to eliminate the distinction between agents and broker and proposed the following definition for agent:

"insurance agent" means a person who, for compensation,

(i) solicits insurance on behalf of an insurer, insured or potential insured,

(ii) transmits an application for insurance from an insured or potential insured to an insurer,

(iii) transmits a policy of insurance from an insurer to an insured,

(iv) negotiates or offers to negotiate insurance on behalf of an insurer, insured or potential insured or the continuance or renewal of insurance on behalf of an insurer or insured, or

(v) examines, appraises, reviews or evaluates an insurance policy, plan or program or makes recommendations or gives advice with regard to any of the above.

but does not include an insurer.

Section 351 of the *Insurance Act* provides that:

351 No person shall act or offer or undertake to act or represent himself as an insurance agent, broker, adjuster or damage appraiser in this Province unless he holds a subsisting licence issued under this Act or is otherwise authorized to do so under this Act.

The relevant provisions for the licensing of agents and brokers can be found in s. 352 of the Act. Section 352 also includes several exemptions from the requirement to be licensed. We believe that anyone who is carrying on the activities of an insurance agent should be licensed and that there should be very few exemptions. With the significant changes in the insurance industry and the desire for greater oversight, it is not clear whether these exemptions continue to be necessary. We are seeking your feedback on the rationale for the current exemptions to assist us in determining whether to retain them. We appreciate that some of the provisions do not relate to your area of business.

Collector of Insurance Premiums

352(14) A collector of insurance premiums who does not solicit applications for or the renewal or continuance of insurance contracts, or act or aid in negotiating such contracts or the renewal thereof, may carry on such business without a licence therefor, if the collection fee does not exceed five per cent of any amount collected.

This is a common exemption and we do not have any issues with continuing it. However, we welcome any thoughts that you may have on the matter.

Pension Fund Association or Mutual Insurer Members

352(15) A member of a duly licensed pension fund association, other than a salaried employee who receives commission, or a member of a mutual fire, weather or livestock insurance corporation, carrying on business solely on the premium note plan, may, without a licence, solicit persons to become members of such society, association or corporation.

New Brunswick appears to be the only jurisdiction that has this provision. We appreciate that it is archaic, in that we understand that “pension fund associations” and mutuals operating on a “premium note plan” are things of the past. The provision relates to soliciting “persons to become members”. How does this engage carrying on the business of insurance? If these individuals are promoting and giving advice on an insurance product, why should they be exempt from licensing?

Fraternal Societies

> 352(16) An officer or a salaried employee of the head office of a duly licensed fraternal society, who does not receive commission, may, without a licence, solicit insurance contracts on behalf of the society.
>
> 352(17) Any member not an officer or salaried employee described in subsection (16) may without a licence solicit insurance contracts on behalf of the society unless such member devotes or intends to devote more than one-half of his time to soliciting such contracts or has in the preceding calendar year solicited and procured life insurance contracts on behalf of the society in an amount in excess of twenty thousand dollars.

Ontario, PEI and the Territories have these provisions. However, if these individuals are promoting and giving advice on an insurance product, why should they be exempt from licensing? Manitoba's provision is different and only references members soliciting persons to become members:

> 378(6) A member of a duly licensed fraternal society, other than a member whose major occupation is, in the opinion of the superintendent, the solicitation of life insurance contracts, may, without a licence, solicit persons to become members of the society.

Officers or Salaried Employees of a Licensed Insurer

> 352(18) Unless the Superintendent otherwise directs, an officer or salaried employee of a licensed insurer who does not receive commissions, or an attorney or salaried employee of a reciprocal or inter-insurance exchange at which no commission is paid except to such attorney, may, without a licence, act for such insurer or exchange in the negotiation of any contracts of insurance or in the negotiation of the continuance or renewal of any contracts that the insurer or exchange may lawfully undertake, but officers or employees whose applications for licences as insurance agents, insurance brokers or salesmen have been refused or whose licenses have been revoked or suspended may not so act without the written approval of the Superintendent, and in the case of insurers authorized to undertake life insurance, only the officers and salaried employees of the head office who do not receive commissions may so act without a licence.

We would like to better understand the purpose of this provision. Again, if these individuals are promoting and giving advice on an insurance product, why should they be exempt from licensing? We do not consider the question of whether they are "customer facing" to be determinative. If a person is giving advice directly to a consumer, or indirectly by advising an agent on an appropriate product for a consumer, we believe that they should be licensed. We have had some individuals claim that employee's working in a call centre dealing with clients would fall within this exemption.

Manitoba has similar provisions, but includes "who does not receive commissions or his salary in lieu of commissions". The relevant Manitoba provisions are as follows:

> 378(7) Unless the superintendent otherwise directs, but subject to subsections (8) and (9), an officer or salaried employee of a licensed insurer who does not receive commissions or his salary in lieu of commissions, or an attorney or salaried employee of a reciprocal or inter-insurance exchange at which no commission is paid except to the attorney may, without a licence, act for the insurer or exchange in the negotiation of any contracts of insurance or in the negotiation of the continuance or renewal of any contracts that the insurer or exchange may lawfully undertake.
>
> 378(8) Officers or employees whose applications for licences as agents have been refused or whose licences have been suspended or cancelled, may not act as provided in subsection (7) without the written approval of the superintendent.
>
> 378(9) In the case of insurers authorized to undertake life insurance only the officers and salaried employees of the head office who do not receive commissions or salaries in lieu of commissions, may act as provided in subsection (7) without a licence.

Ontario's exemption is much narrower:

> An officer or salaried employee of the head office of an insurer who solicits contracts of life insurance and accident and sickness insurance on behalf of the insurer and who does not receive any commission. (paragraph 9(1)4 *Agents Regulation*)

Office Staff

> 352(19) An employee of a licensed agent or broker who normally performs office duties and does not receive commissions may, without a licence but only as incidental to his normal office duties, take applications for insurance and the renewal thereof.

As discussed in our Position Paper, we don't see the need for licensing employees who do clerical work. However, we believe that any employee carrying on any of the activities under the definition of "insurance agent" should be licensed. Therefore, we question the need for this provision.

Consultation Paper
Insurance 2019

Licensing of Insurance Adjusters and Damage Appraisers in New Brunswick

Insurance Division

May 2019

FINANCIAL AND CONSUMER SERVICES COMMISSION

COMMISSION DES SERVICES FINANCIERS ET DES SERVICES AUX CONSOMMATEURS

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Introduction

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

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

The current *Adjusters Regulation* was implemented on July 1, 2009. The Financial and Consumer Services Commission is undertaking a comprehensive review of the current adjuster licensing regime. The Commission is also reviewing the licensing regime for damage appraisers. The goals are to ensure that the regimes are current, enhance consumer protection and remove any unnecessary administrative burdens. The Commission also wishes to increase harmonization with other Provinces. As a first step, the Commission completed a review of the licensing regimes in other Canadian jurisdictions. The Commission has prepared this Consultation Paper to facilitate dialogue with stakeholders who wish to provide feedback on the licensing matters raised in this paper.

You can access the current *Adjusters Regulation*, Reg. 2009-52 at http://laws.gnb.ca/en/ShowPdf/cr/2009-52.pdf, hereinafter referred to as the *Adjusters Regulation*.

You can access the current *Damage Appraisers Regulation*, Reg. 85-11 at http://laws.gnb.ca/en/ShowPdf/cr/85-11.pdf, hereinafter referred to as the *Damage Appraisers Regulation*.

1. Adjuster Licensing Requirements

The *Insurance Act* (the Act) requires anyone who acts, offers or undertakes to act or represents themselves as an adjuster in New Brunswick to hold a licence. This includes independent adjusters and staff adjusters who are employed by an insurance company. Currently, the Commission only licenses individual adjusters and does not license adjusting firms.

There is currently no consistency among jurisdictions with respect to the requirement for staff adjusters to be licensed. Some jurisdictions, like New Brunswick, require staff adjusters to be licensed, while others do not. The Commission proposes to continue requiring staff adjusters to be licensed because we believe that it enhances consumer protection.

Definition of Adjuster

Current definition

Section 1 of the Act defines "adjuster" to mean:

> "a person who, for compensation, not being a barrister or solicitor acting in the usual course of his profession or a trustee or an agent of the property insured, directly or indirectly solicits the right to negotiate the settlement of a loss under a contract of insurance on behalf of the insured or the insurer, or holds himself out as an adjuster of losses under such contracts".

The *Adjusters Regulation* provides the following:

3(1) A person acts as an adjuster when he or she offers, promises or attempts to act as an adjuster or claims that he or she is authorized to act in that capacity.

3(2) The following persons shall be deemed not to be acting as adjusters:

(a) a liquidator or trustee in bankruptcy in the performance of his or her duties;

(b) a testamentary executor, director, trustee or fiduciary in the performance of his or her duties;

(c) an engineer, architect, appraiser, assessor or other expert whose services are required by a party for the purpose of obtaining the opinion or testimony of the expert; and

(d) an adjuster dealing exclusively with ocean marine losses.

Proposed definition

The Commission has reviewed the definitions for "adjuster" in other jurisdictions. The Commission proposes to harmonize New Brunswick's definition with that of several other jurisdictions and to include the exceptions within the definition. Therefore, the Commission proposes the following definition:

"adjuster" means a person who

(i) on behalf of an insurer or an insured, for compensation, directly or indirectly solicits the right to negotiate the settlement of or investigate a loss or claim under a contract or a fidelity, surety or guarantee bond issued by an insurer, or investigates, adjusts or settles any such loss or claim, or

(ii) holds himself or herself out as an adjuster, investigator, consultant or adviser with respect to the settlement of such losses or claims,

but does not include

(iii) a lawyer acting in the usual course of his or her profession;

(iv) a trustee or agent of the property insured;

(v) a liquidator or trustee in bankruptcy in the performance of his or her duties;

(vi) a testamentary executor, director, trustee or fiduciary in the performance of his or her duties;

(vii) an engineer, architect, appraiser, assessor or other expert who is employed solely for the purpose of giving expert advice or evidence;

(viii) members of a police force, fire department or fire marshal's office in the performance of their duties;

(ix) and any other prescribed person.

Proposed Exemptions

As indicated, the current *Adjusters Regulation*, among other things, specifically exempts an adjuster dealing exclusively with ocean marine losses from requiring a licence. Several other jurisdictions exempt marine insurance claims. Prince Edward Island and Newfoundland and Labrador also exempt a person who is adjusting or dealing solely with claims for aircraft insurance, life insurance or accident and sickness insurance from being licensed.

Given the unique nature of the claims that they deal with, the Commission proposes to exempt individuals who are dealing with claims for life insurance, accident and sickness insurance, marine insurance, aircraft insurance and legal expense insurance. Life and accident and sickness claims are not "adjusted" like property and casualty claims and no jurisdiction, including New Brunswick, requires individuals dealing with them to be licensed. The other types of adjusting are very specialized and typically the policyholders are corporations that are knowledgeable about the specific business, rather than individual consumers.

Licence Levels

Current licence levels

The current *Adjusters Regulation* creates a graduated licensing regime by having four different levels of licence. The goal is to protect consumers by ensuring that entrants into the industry complete educational requirements and gain practical experience. The roles and responsibilities of each level of licence reflect the individual's education and experience. The four levels of adjuster licences are as follows:

- Level 1 - probationary adjuster;
- Level 2 - assistant adjuster;
- Level 3 - adjuster; and
- Level 4 - general adjuster.

The *Adjusters Regulation* establishes mandatory progression requirements for level 1 and level 2 licensees. A level 1 licensee must obtain a level 2 licence within 12 months of receiving a level 1 licence. Within those 12 months, the level 1 licensee must complete course C-11 Principles and Practice of Insurance or C81 and C82 General Insurance Essentials – Parts 1 and 2 from the Insurance Institute of Canada, if they did not already have the course. Similarly, a level 2 licensee must obtain a level 3 licence within 36 months of receiving a level 2 licence. As discussed under Topic 3 – Education and Experience Requirements, the *Adjusters Regulation* prescribes the different education programs that a level 2 must complete within that 36 months. A level 3 licensee can remain at that level indefinitely and is not required to move to a level 4.

There are four specializations for a level 3 licensee:

- property damage - first or third party claims arising out of damage to or loss of property of any kind other than claims under a policy of automobile insurance or ocean marine insurance;
- automobile physical damage - first or third party claims arising out of damage to property covered by a policy of automobile insurance;
- automobile accident benefits - accident benefit claims arising under a policy of automobile insurance; or
- bodily injury - third party claims arising out of any bodily injury or death.

New Brunswick is unique in having specializations. Level 3 licensees can only work in the specialization(s) for which they hold a licence, but can be licensed for multiple specializations. While there are several courses that are the same for each specialization, there are specific courses that an individual must take for the specific type of adjusting. A full listing of the respective courses is set out under Topic 3 - Educational and Experience Requirements.

Proposed licence levels

The Commission proposes the following new licensing levels:

- Level 1 - assistant adjuster;
- Level 2 - adjuster; and
- Level 3 – senior adjuster.

Many jurisdictions have a similar three level licensing regime, so this will enhance harmonization.

Most jurisdictions do not have mandatory progression. The Commission proposes eliminating it. This means that level 1 assistant adjusters can stay at that level for their entire career should they wish. However, they would be subject to direct supervision and would have restrictions on the activities that they are permitted to carry out. The restrictions on a level 1 assistant adjuster are discussed under Topic 4 - Supervision, Responsibilities and Restrictions below.

The Commission also proposes eliminating the specializations for a level 2 licensee (currently a level 3 licensee). Therefore, level 2 licensees would be permitted to do several types of adjusting under their licence. However, an adjuster's employer (adjusting firm or insurer) would be responsible to ensure that a level 2 adjuster is competent for the files that are assigned to them. Further, a level 2 licensee could not act as a manager of an adjusting firm or a designated representative.

A level 3 licensee under the proposed regime will be permitted to adjust all types of claims. Further, a level 3 licensee will be permitted to act as a manager of an adjusting firm and/or a designated representative of an adjusting firm as described under Topic 2 - Adjusting Firm Licences.

Temporary Adjusting in Emergency Situations

The *Insurance Act* allows for a temporary licence to be issued to an adjuster from another jurisdiction to act within the Province where there is an "emergency situation". The Commission has adopted a simplified process for the approval and there is no fee. The Commission proposes to continue this, but to change the name to "temporary authorizations" rather than "temporary licences", as the Commission does not issue a formal licence in these situations, but rather notifies the applicant of the approval.

Elimination of subsection 358(5) re Incapacity

The Commission proposes eliminating subsection 358(5) of the Act. Subsection 358(5) provides as follows:

> 358(5) Where an adjuster dies, becomes bankrupt or otherwise incapacitated so that his property becomes vested in another person as executor, trustee in bankruptcy, trustee, committee or otherwise by operation of law, the Superintendent may give his written permission to such person to carry on the business of the adjuster for a period of six months following the event upon which the property became vested in that person, under such conditions and subject to such restrictions as are set out in the written permission, or are prescribed from time to time by him; and the Superintendent may extend the period beyond six months if, in his opinion, the circumstances of the case warrant the extension.

Although this provision is discretionary, it could potentially allow unqualified individuals to carry on adjusting. It would be more appropriate that files were taken over by a qualified licensed adjuster.

Consultation Questions

1.1 Do you agree with the definition of 'adjuster' as proposed, or, alternatively, how would you propose that "adjuster" be defined?

1.2 Do you agree with the proposed exemption from licensing for certain types of adjusting, or, alternatively, what types of adjusting, if any, do you propose should be exempt? Please elaborate on why they should be exempt.

1.3 Do you agree with the proposed adjuster licensing levels or, alternatively, how should adjuster licensing levels be structured?

1.4 Do you agree with the elimination of adjusting specializations? Please elaborate on your response.

1.5 Do you agree with the elimination of the current mandatory progression requirements? Please elaborate on your response.

1.6 Do you have any concerns about the proposal to eliminate subsection 358(5)? Please elaborate on your response.

1.7 Please comment on any other matters for consideration on these issues.

2. Adjusting Firm Licences

Current status of adjusting firms

The Commission currently only issues licences for individuals and not for corporate entities or partnerships. Most independent adjusters are employed by adjusting firms. Several jurisdictions require adjusting firms to be licensed. In 2015, the Commission issued a Position Paper: *Modernizing the Insurance Licensing Framework* (the Position Paper), which recommended updating the licensing regime for other-than-life agents and brokers. The Position Paper, among other things, recommended that agencies and brokerages be licensed. Further, it recommended that adjusting firms also be licensed.

Proposed licensing of adjusting firms

The Commission still recommends that adjusting firms be licensed. Consumers may identify with the adjusting firm in addition to the individual adjuster. Adjusting firms should be subject to direct regulation. Requiring the adjusting firm to obtain a licence strengthens consumer protection by enhancing oversight of adjusters. The Commission proposes that an adjusting firm must meet the following minimum standards to obtain a licence:

- Be registered with the New Brunswick Corporate Registry;
- Have a designated representative; and
- Provide proof of errors and omissions insurance specific to the adjusting firm (not just vicarious liability).

A designated representative would be a single individual who is the primary contact for the adjusting firm for regulatory purposes. Anyone seeking to be named the designated representative must hold a level 3 licence under the proposed regime. Responsibilities of a designated representative are discussed under Topic 4 - Supervision, Responsibilities and Restrictions. If a designated representative of an adjusting firm ceases to be the designated representative, the firm must notify the Superintendent in writing within 10 days and provide reasons. The firm must submit a new eligible candidate within 10 business days. If the firm does not submit a new candidate, the firm's licence is automatically suspended. The Superintendent will also have the authority to appoint a temporary designated representative for up to 14 days, unless extended.

Consultation Questions

2.1 Do you agree with the proposed minimum standards for an adjusting firm to obtain a licence, or, alternatively, what would you propose?

2.2 Do you agree with the proposal for a designated representative, or alternatively, what would you propose? Please elaborate on your response.

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

3. Educational and Experience Requirements

Current educational and experience requirements

Unlike in several other jurisdictions, there is currently no educational prerequisite for a level 1 probationary adjuster licence. However, as indicated under Topic 1 -Adjuster Licensing Requirements, a level 1 licensee must complete course C-11 Principles and Practice of Insurance or C81 and C82 General Insurance Essentials – Parts 1 and 2 within 12 months of receiving the level 1 licence. The level 1 licensee must also obtain 12 months' work experience.

Under the current *Adjusters Regulation*, upon obtaining a level 2 licence, licence holders must acquire 24 months' adjusting experience and complete at least one of the following educational programs from the Insurance Institute within 36 months to qualify for one of the level 3 specializations:

Property damage

- C11 Principles and Practice of Insurance or C81 General Insurance Essentials - Part 1 and C82 General Insurance Essentials - Part 2;
- C12 Insurance on Property;
- C13 Insurance Against Liability - Part 1;
- C110 Essentials of Loss Adjusting or C17 Claims 1; and
- C111 Advanced Loss Adjusting or C33 Insurance on Property - Part 2 and C46 Claims 2.

Automobile physical damage

- C11 Principles and Practice of Insurance or C81 General Insurance Essentials - Part 1 and C82 General Insurance Essentials - Part 2;
- C13 Insurance Against Liability - Part 1;
- C14 Automobile Insurance - Part 1;
- C110 Essentials of Loss Adjusting or C17 Claims 1; and
- C111 Advanced Loss Adjusting or C46 Claims 2.

Automobile accident benefits

- C11 Principles and Practice of Insurance or C81 General Insurance Essentials - Part 1 and C82 General Insurance Essentials - Part 2;
- C14 Automobile Insurance - Part 1;
- C32 Bodily Injury Claims;
- C110 Essentials of Loss Adjusting or C17 Claims 1; and
- C111 Advanced Loss Adjusting or C46 Claims 2.

Bodily injury

- C11 Principles and Practice of Insurance or C81 General Insurance Essentials - Part 1 and C82 General Insurance Essentials - Part 2;
- C13 Insurance Against Liability - Part 1;
- C14 Automobile Insurance - Part 1;
- C32 Bodily Injury Claims;
- C110 Essentials of Loss Adjusting or C17 Claims 1; and
- C111 Advanced Loss Adjusting or C46 Claims 2.

To obtain a level 4 licence, an applicant must have 24 months' adjusting experience as a level 3 licensee and must complete the following Institute courses:

- C11 Principles and Practice of Insurance or C81 General Insurance Essentials - Part 1 and C82 General Insurance Essentials - Part 2;
- C12 Insurance on Property;
- C13 Insurance Against Liability - Part 1;
- C14 Automobile Insurance - Part 1;
- C32 Bodily Injury Claims;
- C110 Essentials of Loss Adjusting or C17 Claims 1;
- C111 Advanced Loss Adjusting or C33 Insurance on Property - Part 2 and C46 Claims 2; and
- C112 Practical Issues in Claims Management.

Proposed educational and experience requirements

Having regard to the new licensing levels proposed under Topic 1- Adjuster Licensing Requirements, the Commission proposes the following educational and experience requirements:

- to obtain a level 1 assistant adjuster licence, an applicant must have already completed course C-11 Principles and Practice of Insurance or C81 and C82 General Insurance Essentials – Parts 1 and 2;

- to obtain a level 2 adjuster licence, an applicant must have at least 24 months' adjusting experience as a level 1 assistant adjuster and must have completed the following courses:

  - C11 Principles and Practice of Insurance or C81 General Insurance Essentials - Part 1 and C82 General Insurance Essentials - Part 2;
  - C110 Essentials of Loss Adjusting or C17 Claims 1;
  - C111 Advanced Loss Adjusting or C46 Claims 2; and
  - Any two of the following:
    - C12 Insurance on Property;
    - C13 Insurance Against Liability - Part 1;
    - C14 Automobile Insurance - Part 1; or
    - C32 Bodily Injury Claims.

- to obtain a level 3 licence, an applicant must have at least 24 months' work experience as a level 2 licensee and must have completed the following courses:

  - C11 Principles and Practice of Insurance or C81 General Insurance Essentials - Part 1 and C82 General Insurance Essentials - Part 2;
  - C12 Insurance on Property;
  - C13 Insurance Against Liability - Part 1;
  - C14 Automobile Insurance - Part 1;
  - C32 Bodily Injury Claims;
  - C110 Essentials of Loss Adjusting or C17 Claims 1;
  - C111 Advanced Loss Adjusting or C33 Insurance on Property - Part 2 and C46 Claims 2; and
  - C112 Practical Issues in Claims Management.

As discussed under Topic 1- Adjuster Licensing Requirements, level 2 licensees would be able to do several types of adjusting under their licence. However, their employer needs to ensure that they are adjusting in areas for which they are competent.

The current *Adjusters Regulation* allows a level 1 or level 2 licensee who fails to complete the educational requirements within the prescribed timeframes to seek an extension (see sections 13 and 18). Given the proposed changes, and specifically the proposed elimination of mandatory progression, there would be no need for these extension provisions going forward.

A comparison of the different educational requirements in all Canadian Jurisdictions is available in the *National Claims Manual* published by the Canadian Independent Adjusters' Association and can be found on their website at www.ciaa-adjusters.ca.

Proposed recognition for adjusters from other jurisdictions

As with the current *Adjusters Regulation*, the Commission proposes to authorize the Superintendent to recognize equivalent training or adjusting experience obtained in another jurisdiction prior to seeking a New Brunswick licence, in lieu of the required courses. This would apply to individuals who move to New Brunswick from another jurisdiction and to individuals who live in another jurisdiction but want to also carry on business in New Brunswick. There would be minimal experience requirements for an applicant for the proposed level 2 or 3 licence:

- An applicant seeking a level 2 licence will have to have 24 months' experience as an adjuster in another jurisdiction;

- An applicant for a level 3 licence would need to have 48 months' experience as an adjuster in another jurisdiction.

An applicant who is granted a particular level of licence will be deemed to have the courses for that level of licence, but will have to take any additional required courses to move to the next level. Further, the Commission proposes that an individual applicant who is granted a level 2 licence on this basis, would be required to complete C112 (Practical Issues in Claims Management) and any two of the following to obtain a level 3 licence:

    - C12 Insurance on Property;
    - C13 Insurance Against Liability - Part 1;
    - C14 Automobile Insurance - Part 1; or
    - C32 Bodily Injury Claims.

Individuals who are licensed in another jurisdiction, will have to show proof of their licence in their home jurisdiction.

Consultation Questions

3.1 In consideration of any comments that you provided on licensing levels, do you have any comment on the proposed educational requirements for each level of licence?

3.2 In consideration of any comments that you provided on licensing levels, do you have any comment on the proposed minimum experience requirements for each level of licence?

3.3 If you are suggesting licensing levels and/or educational requirements different than those being proposed by the Commission, what would be appropriate with respect to extensions (if applicable)?

3.4 In consideration of any comments that you provided on licensing levels and educational requirements, do you have any comment on the proposal respecting licensing of applicants from another jurisdiction?

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

4. Supervision, Responsibilities and Restrictions

Current Supervision Responsibilities and Restrictions

Under the current *Adjusters Regulation*, level 1 and 2 licensees must be supervised by a level 4 or a level 3 licensee with at least 12 months' experience as a level 3. The supervisor is responsible for the instruction and conduct of level 1 and level 2 licensees. There is no restriction on how many level 1 or 2 licensees a person can supervise. Level 1 and 2 licensees are subject to restrictions on their activities.

Proposed Supervision Responsibilities and Restrictions

Bearing in mind the licensing levels proposed under Topic 1- Adjuster Licensing Requirements, the Commission proposes the following restrictions with respect to a level 1 assistant adjuster:

- A level 1 must be under direct supervision of a level 3 senior adjuster or a level 2 adjuster with at least 12 months' experience as a level 2 adjuster;
- The supervisor is responsible for the conduct of the level 1 adjuster;
- Insurance claims cannot be assigned to a level 1 and can only be assigned to a level 2 or level 3 adjuster;
- A level 1 cannot adjust an insurance claim in their own right;
- A level 1 can only work on claims assigned to their supervisor and only as authorized by the supervisor (this includes entering into correspondence, submitting reports and preparing memoranda);
- A level 1 must have all claim reports and settlement offers countersigned by their supervisor.

Further, the Commission proposes that a supervisor be limited to supervising an appropriate number of level 1 assistant adjusters. What would be appropriate can vary depending on the circumstances. The Superintendent will be authorized to reject a supervisory arrangement if it is determined not to be appropriate. Level 1 adjusters and their supervisors will be required to enter into a supervision agreement in a form approved by the Superintendent.

The Commission proposes that the designated representative of an adjusting firm be responsible for the overall supervision of all employees including adjusters. The Commission proposes that "supervision" be defined as set out in the Position Paper to mean "reasonable and prudent oversight of all insurance activities carried on by employees". It noted that the "primary goal is to protect consumer interests and ensure compliance with the *Insurance Act*, regulations and rules. A secondary goal is to build competency of employees." The Commission proposes that a designated representative's supervisory responsibilities include, but not be limited to, ensuring that:

- All staff are adequately trained and properly licensed;

- Appropriate written procedures are in place, which include, but are not limited to, such matters as proper file maintenance;
- Trust monies are handled properly and all books and records are properly maintained;
- Staff are compliant with the Act, Regulations and Rules;
- All licence holders operate in accordance with any conditions and restrictions on their licences;
- Errors and omissions insurance is properly maintained;
- Regular reviews of the work of licensed staff are carried out to ensure that there are no issues related to compliance, competence or ethics. Regular reviews would include auditing samples of client files.

Consultation Questions

4.1 Do you have any comment on the proposed supervision requirements and restrictions for a level 1 assistant adjuster?

4.2 Do you agree with the proposed definition of “supervision”, or, alternatively, how do you propose “supervision” be defined?

4.3 Do you agree with the proposed with respect to limitations on the number of level 1 assistant adjusters that can be supervised by a supervisor, or, alternatively, what do you propose?

4.4 Do you agree with the proposed responsibilities for a designated representative, or, alternatively, what do you propose?

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

5. Renewal of Licence

Current renewals

Under the current *Adjusters Regulation*, a level 1 licence expires after 12 months, unless extended, and cannot be renewed. A level 2 licence expires after 12 months, but can be renewed twice, unless extended. Level 3 and 4 licences expire after 12 months, but can be renewed indefinitely.

Currently, insurance agents and brokers who have been licensed continuously for six years and who do not have conditions on their licences are eligible for a two-year licence. The Commission believes that a two-year licence provides an appropriate balance between reducing the administrative burden on licence holders and effective regulatory monitoring. In its Position Paper, the Commission recommended allowing insurance agents to become eligible for a two-year licence after being licensed for two years and not be disqualified because they have conditions on their licences.

Proposed renewals

Similarly, the Commission proposes that all adjusters be eligible for a two-year licence after being licensed with the Commission as an adjuster for two years. Time at any level would be considered and a person who moves to a higher level of licence would not have to move back to a one-year licence. Further, adjusters who have conditions on their licences would not be automatically disqualified from holding a two-year licence, but the Superintendent would have the discretion to issue a one-year licence where it is determined that an annual renewal is necessary.

Consultation Questions

5.1 In consideration of any comments that you provided on licensing levels, do you agree with the proposal with respect to the renewal of adjuster licences, or, alternatively, what do you propose?

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

6. Reinstatement

Current reinstatement rules

Under the *Adjusters Regulation*, a person who ceases to hold a level 3 or 4 licence can have their licence reinstated, subject to any condition that might be imposed on the licence. However, pursuant to the Regulation, a person who ceases to hold a level 3 or 4 licence for 10 years or more is only eligible for a level 1 licence and must gain work experience again. Any courses successfully completed are recognized, subject to any condition that might be imposed on the licence. The ability of level 1 or level 2 licence holders to reinstate a licence is much more restrictive (see sections 14 and 19 of the Regulation) and they can become ineligible to hold a licence.

Proposed reinstatement rules

The Commission proposes that any level of adjuster who does not hold a licence for five years or more be required to retake the educational requirements to requalify for a licence and to rebuild the experience requirements. However, a person who has worked as an adjuster in another jurisdiction during that period would not be required to requalify.

This is consistent with the Commission's recommendation that general insurance agents who do not hold a licence for five years or more be required to retake the educational requirements to requalify for a licence. Further, a life insurance licensee or an accident and sickness licensee who has not held a licence for two years or more must retake the educational requirements

Consultation Questions

6.1 In consideration of any comments that you provided on other topics, do you have any additional information that should be considered by the Commission in establishing the appropriate timeframe to require an adjuster who has been out of the industry to requalify for a licence?

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

7. Duty to Report

Current duty to report

The Commission proposes to maintain the current requirement that an adjuster who changes employer must obtain approval from the Superintendent. Likewise, where a licensee changes their name, they must immediately notify the Superintendent. Finally, an adjuster “who ceases to act as an adjuster” must immediately provide written reasons to the Superintendent.

Further, the Commission will maintain the requirement that a licensee or an applicant for an adjuster licence provide written notice to the Superintendent of:

- an investigation commenced or a disciplinary action taken against the licensee by an insurance regulator, a financial services regulator or a professional body;
- a judgment rendered against the licensee in relation to financial activities, fraud or breach of trust; or
- a charge or a conviction for an offence under any jurisdiction involving theft, fraud, forgery, breach of trust, misrepresentation, perjury, furnishing of false information, carrying on any regulated business or career while not licensed or crimes of violence or moral turpitude.

Proposed changes to duty to report

The Commission proposes to amend the time for giving notice from within 10 business days to within 5 business days of the disciplinary action, judgment, charge or conviction.

The Commission proposes to add the following to the list of reporting requirements:

- any change with respect to additional employment or business activity; or
- dismissal by an employer.

Further, the Commission proposes that a supervisor of level 1 adjuster must report within 10 business days any change of supervisor, including an end to the supervision.

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

- Change in name of the adjusting firm;
- Change of ownership of the adjusting firm;
- Departure of any licensed employee, including where an employee is terminated, retires or leaves the company for any other reason;

- Detailed reasons for the licensed employee's departure;
- Any change in errors and omissions coverage; and
- Any errors and omissions claim against the adjusting firm or any employee, with details.

Consultation Questions

7.1 Are there additional matters that should be reported by a licensee?

7.2 Are there additional matters that should be reported by a designated representative?

7.3 Do you agree with the proposed time period for giving notice, or, alternatively, what do you propose? Please elaborate on your response.

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

8. Conduct

Current prohibitions

The *Adjusters Regulation* prohibits an adjuster who is adjusting a claim from doing certain things. In particular, section 27 prohibits an adjuster from:

- possessing an interest, other than professional, in the settlement of a claim;
- failing to disclose to his or her employer or the person retaining him any information known to him or her with respect to policy violations and cases of fraud, misrepresentation, concealment, falsification of facts and records or any other information material to the decision of his or her employer or the person retaining him or her in the settlement of a claim;
- failing, when acting for more than one insurer in the same matter, to immediately notify each insurer of the interests of all insurers for whom he or she is acting or has been requested to act in the same matter;
- seek or make a profit or seek or acquire an interest in any matter entrusted to his or her care, other than his or her fees or salary;
- represent falsely to an insurer that he or she has been instructed by another insurer to act in the settlement of a claim;
- act or hold himself or herself out as acting for an insurer without authorization of that insurer;
- advise a claimant to refrain from seeking legal counsel;
- knowingly interview or settle a claim with a claimant represented by a barrister or solicitor without the consent of that barrister or solicitor; or
- mislead an interested party as to the identity or the interest of the insurer.

Further, section 28 prohibits adjusters from disclosing any information obtained in the performance of their work to any person other than their employer or the person retaining the adjuster unless authorized by that person or obliged by law. However, an adjuster must, upon request, provide the Superintendent any information obtained in the performance of the adjuster's work.

Proposed changes to prohibitions

The Commission has researched the requirements in other jurisdictions, including the codes of conduct in the Western Provinces. Based on this research, the Commission is proposing the following changes to two of the above items:

Current	Proposed
advise a claimant to refrain from seeking legal counsel,	give legal advice or discourage a claimant from seeking legal advice,
knowingly interview or settle a claim with a claimant represented by a barrister or solicitor without the consent of that barrister or solicitor	Knowingly deal directly (including interview or settle a claim) with a claimant represented by a lawyer without the consent of that lawyer.

The Commission is also proposing to add the following to the list of prohibited conduct:

- place himself or herself in a conflict of interest with an insurer, policy holder or claimant unless such insurer, policy holder or claimant approves of the adjuster's intended conduct in writing, after the existence of the potential conflict of interest has been openly, honestly and fully disclosed;
- mislead the insured as to his/her role in adjusting a claim, (the insured should be aware that you act for the insurer in the claim and that the insured is responsible for hiring and work of contractors, even if facilitated by the adjuster);
- fail to take reasonable steps to keep the insured informed of the status of a claim and respond promptly to the insured's communication;
- fail to fully and promptly inform insureds of material information regarding policy coverage, limitation periods, claim denials and their rights and obligations in the claims process, as required in the circumstances;
- accept any financial inducement or gift in exchange for recommending the services of a third party such as a contractor or auto body shop;
- act in the investigation or settlement of a claim without specific authorization from the insurer;
- fail to deal with all formal and informal complaints or disputes in good faith and in a timely and forthright manner, including, when necessary, referring the complainant to other more appropriate people, processes and/or organizations;
- attempt to influence a claim through coercion, false or misleading statements or other improper means;
- make or assist anyone to make a false insurance claim or a false declaration to an insurer;
- counsel a claimant to misrepresent any aspect of a claim report or proof of loss to misrepresent information or knowingly transmit information which they have reason to believe is not true;
- ask claimants to sign statements, proofs of loss or other documents which are incomplete. If information is not available, those sections of the forms must be noted as 'To Be Advised' or 'information to follow' prior to the claimant signing the document; and

- access confidential client information outside the ordinary course of business.

Finally, the Commission is proposing a clear prohibition against any insurer or adjusting firm using the services of an adjuster to adjust claims in New Brunswick, unless the adjuster is properly licensed or exempt from licensing.

Consultation Questions

8.1 Are there additional acts that an adjuster should be prohibited from doing with respect to adjusting a loss?

8.2 Are there additional protections that should be in place to protect clients' personal information?

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

9. Bond and Errors and Omissions Insurance

Current bond requirements

The *Adjusters Regulation* requires all adjusters who are not salaried employees of an insurer to provide a $5,000 bond or other security. The Superintendent holds the bond in trust for any person who may incur a financial loss as a result of an improper or illegal act by an adjuster.

Several other jurisdictions require errors and omissions insurance rather than a bond. In its Position Paper, the Commission recommended amendments to eliminate the bond requirement and require adjusters be covered by errors and omissions insurance. However, like the current bond requirement, adjusters who are salaried employees of an insurer, would not be required to carry errors and omissions insurance.

Proposed errors and omissions insurance requirements

The Commission still recommends that adjusters who are not salaried employees of an insurer to be covered by errors and omissions insurance. The Commission proposes adjusters carry the following coverage:

- Liability insurance of at least $1,000,000 in respect of any one occurrence and an overall policy aggregate of at least $2,000,000 in respect of an occurrence with regard to negligent acts, errors or omissions with extended coverage for loss resulting from fraudulent acts pertaining to the licensed activity;

- Fidelity insurance against losses arising from dishonesty (including fraud) of employees, a proprietor or partners, directors and officers for an amount of not less than $100,000.00 in coverage;

- Coverage amounts would be exclusive of defence and investigative expenses; and

- The coverage would require a 12 month extended reporting period.

The Commission further proposes that the insurer who issues the policy be required to provide 30 days' notice to the Superintendent before cancelling or refusing to renew the policy. Finally, the Commission proposes that a licence holder's licence be automatically suspended on the effective termination date or non-renewal date of the insurance policy.

Consultation Questions

9.1 Is the proposed errors and omissions insurance adequate? If not, what do you propose? Please elaborate on your response.

9.2 Do you agree with the proposed notice that an errors and omissions insurer should provide to the Superintendent before being permitted to cancel or refuse to renew an errors and omissions policy, or, alternatively, what do you propose? Please elaborate on your response.

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

10. Deposit of money received for and on behalf of others

The *Adjusters Regulation* requires an adjuster, who is not a salaried employee of an insurer, to have a trust account if he or she receives money for and on behalf of others in the course of adjusting an insurance claim. The adjuster is also required to maintain a record of any money received or disbursed and of the main particulars concerning each claim. Although, it would be rare for adjusters to receive trust monies, the Commission proposes to maintain these requirements for those that do.

Consultation Questions

10.1 Do you agree with the proposed requirements for an adjuster who receives trust monies, or, alternatively, what do you propose?

11. Transition

Proposed transition

Based on the proposed new levels of adjuster licences, the Commission proposes the following transition:

- All individuals holding a level 4 general adjuster licence under the current Adjusters Regulation will transition to a level 3 senior adjuster licence;
- All individuals holding a level 3 adjuster licence under the current Adjusters Regulation, regardless of specializations, will transition to a level 2 adjuster licence;
- All individuals holding a level 2 assistant adjuster licence under the current Adjusters Regulation will transition to a level 1 assistant adjuster licence;
- All individuals holding a level 1 probationary adjuster licence under the current Adjusters Regulation will transition to a level 1 assistant adjuster licence.

The Commission proposes that individuals who hold a level 1 probationary adjuster licence, but have not completed C-11 Principles and Practice of Insurance or C81 and C82 General Insurance Essentials – Parts 1 and 2, have 12 months from the coming into effect of the new regime to complete one of these options. However, if, for reasons beyond his or her control, an individual cannot complete the course(s), within the 12 months, he or she may apply to the Superintendent, in writing and before the expiration of the 12 months, for an extension. The extension can be for up to 12 months and can only be granted once. Failure to complete one of the course options in the allotted time will result in their licence being terminated. However, the individuals can apply again for a level 1 licence when they complete C-11 or C81 and C82.

There will be no fees for transitioning licences. Further, there will be no refunds as a result of the transition.

Consultation Questions

11.1 Do you agree with the proposed transition, or, alternatively, what do you propose?

11.2 Please provide any additional comments with respect to adjuster licensing in New Brunswick?

12. Damage Appraisers

<u>Current licensing requirements</u>

Damage appraisers are also required to be licensed. The *Act* defines a damage appraiser as "a person who, for compensation or for promise or expectation of compensation, engages in the business of establishing the amount of loss resulting from any damage to the real or personal property of another person" The *Damage Appraiser Regulation* excludes the following from being considered as acting as a damage appraiser:

- an employee of a garage, body shop or other repair facility who estimate damage to a motor vehicle in the usual course of his or her employment;
- a liquidator or trustee in bankruptcy in the performance of his or her duties;
- a testamentary executor, director, trustee or fiduciary in the performance of his or her duties;
- an engineer, architect, appraiser, assessor or other expert who is employed solely for the purpose of giving expert advice or evidence;
- an insurance claims adjuster while acting in the course of his employment; and
- any person not employed by an insurance company, adjusting firm or appraisal firm, who, in the course of employment because of technical or expert knowledge, is called on to estimate the damage to or the value of property, either his own, his employer's or his employer's customers'.

There are currently no specific educational requirements to obtain a damage appraiser licence. An applicant must have a minimum of two years' experience in automobile repair and automobile body work, and such other qualifications as the Superintendent considers appropriate. However, the Superintendent can consider other experience and qualifications. There is nothing specific to experience in real property.

The *Damage Appraisers Regulation* prohibits the following acts by a damage appraiser:

- possessing any interest in the property he or she is engaged to appraise;
- seeking to make any profit or seeking or acquiring any interest, other than fees or salary, in any property he or she is engaged to appraise;
- knowingly reporting the need to replace parts when such parts are repairable in a satisfactory manner, or agreeing to or conniving at such acts by any garage, body shop or other repair facility; and
- acting or attempting to act as an insurance claims adjuster in connection with any property he or she is appraising.

Proposed changes to licensing requirements

The Commission is considering eliminating the requirement for damage appraisers to hold a licence. New Brunswick is currently the only jurisdiction that continues to license damage appraisers. If the Commission eliminates the requirement for damage appraisers to be licensed, the Commission would propose requiring an insurance company or an adjusting firm using the services of a damage appraiser to ensure that the damage appraiser has the appropriate qualifications and experience and to provide oversight of their activities with respect to any insurance claim. Further, the Act would be amended to authorize the Superintendent to prohibit an individual from acting as a damage appraiser where the individual has demonstrated incompetency or untrustworthiness. The Act would maintain a list of prohibited activities.

Consultation Questions

12.1 What are the risks to consumers of eliminating the requirement that damage appraisers be licensed? What are the benefits of eliminating the licensing requirement?

12.2 If the Commission maintains the requirement for damage appraisers to be licensed, what are the appropriate training and experience requirements for obtaining a licence?

12.3 Do you agree with the current definition of “damage appraiser”, or, alternatively, what do you propose?

12.4 Are there additional activities that should be excluded from being considered as acting as a damage appraiser? Please elaborate on your response.

12.5 Are there additional acts that a damage appraiser should be prohibited from doing with respect to appraising a loss? Please elaborate on your response.

12.6 Please provide any additional comments with respect to damage appraisers working on claims in New Brunswick?

Providing Feedback

The Commission is publishing this Consultation Paper for a **60-day comment period**. Please send your comments in writing on or before **2 July 2019.**

All submissions should refer to "**Consultation Paper – Insurance 2019**". This reference should be included in the subject line if the submission is sent by email. Regardless of whether you are sending your comments by email, you should also send or attach your submissions in an electronic file in Microsoft Word format.

Please address your submission to:

E-mail: consultation@fcnb.ca

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

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

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

If you have any questions, please refer them to:

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

Toll Free: (866) 933-2222
Email: david.weir@fcnb.ca

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ASSOCIATE APPLICATION FORM

Organization Name: eMotion Picture Studios Inc / RankHigher.ca

Representative's Name and Title: Chris Barrett, CEO

Address: 1006 Skyview Drive - Second Floor

City: Burlington Province: Ontario Postal Code: L7P 0V1

Phone - Main: 1 905 631 3981 ext 268 Direct:

Fax: Email: chris@rankhigher.ca

Website: www.rankhigher.ca

Parent Company: N/A

Description & Fees:

I. Associates ☒ $4,800 /2 = $2,400
6 months - July - Dec 2019

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

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

Signature of Applicant: Date: June 13, 2019

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

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Agenda Item 4(r)(ii)
June 25/19 EOC Teleconference Meeting

Proposal To Enhance The Benefits/Value Proposition Of CAFII Associate Status

From: Brendan Wycks and Keith Martin, Co-Executive Directors
Date: June 24, 2019
To: Executive Operations Committee
Subject: Proposal To Enhance The Benefits/Value Proposition Of CAFII Associate Status

With a view to enhancing and sweetening the benefits and value proposition of CAFII Associate Status, we recommend that, effective June 2019, "receipt of the CAFII Regulatory Update" be added to the list of Associate benefits.

In extending this benefit to existing and future CAFII Associates, CAFII would reserve the right to issue a modified/abbreviated version of the Regulatory Update to Associates, to accommodate the expected-to-be-rare situation where one or more content items in a Regulatory Update is deemed to be of a particularly sensitive nature and therefore proprietary to Members of the Association.

Background Rationale: At present, CAFII Associate Status can be characterized as solely a "moral supporter and social interaction affiliate"-type of status which is open to suppliers to the financial institutions in insurance sector. More specifically, the benefits of Associate Status consist solely of invitations to three CAFII Receptions and the Annual Members' Luncheon each year, to which Associates are entitled to bring up to five representatives to each event.

By adding "receipt of the CAFII Regulatory Update" – as a regularly produced industry insights and intelligence Report -- to the list of Associate benefits, we believe that CAFII will be able to

- attract more relevant supplier/industry affiliate-type organizations into CAFII Associate Status (particularly some prospects who have been "sitting on the fence");
- reduce the rate of attrition among CAFII Associates, which has been in the range of 20% to 25% per annum over the past few years; and
- gradually over time, increase the CAFII Associate Annual Dues, based on greater perceived and experienced value for Associates.

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Agenda Item 4(r)(iii)
June 25/19 EOC Teleconference Meeting

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

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

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

Term
Option 1
CAFII Affiliate Membership status is limited to one membership year, following which the related Affiliate Membership Dues Incentive shall cease, and the Affiliate Member must transition to CAFII Initiation Member status or depart as a Member of the Association.

Option 2
CAFII Affiliate Membership status is a permanent new membership category. Companies meeting the financial criteria required are kept at the Affiliate Membership dues until such time that they surpass the threshold required to be eligible for this membership category.

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

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

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

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

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

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

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

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

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

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

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

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Agenda Item 4(s)
June 25/19 EOC Teleconference Meeting

From: Brendan Wycks
Sent: May-14-19 4:54 PM
To: 'moira.gill@td.com' <moira.gill@td.com>; 'Thorn, Peter' <Peter.Thorn@td.com>; 'Shawna Sykes' <Shawna_Sykes@cooperators.ca>; 'Diane Quigley' <diane.quigley@cumis.com>; Lewsen, John <john.lewsen@bmo.com>; 'Wally Thompson' <wallace_thompson@manulife.com>; 'Boyle, Martin' <Martin.Boyle@bmo.com>; 'Noble, Gillian' <Gillian.Noble@bmo.com>; Freed-Lobchuk, Leezann <Leezann.Freed-Lobchuk@gwl.ca>; Kitchen, Jeffrey <Jeffrey.Kitchen@gwl.ca>; Keith Martin <Keith.Martin@cafii.com>
Subject: Fall 2019 CAFII Western Canada Insurance Regulators and Policy-Makers Visits Tour: Interim Update On Likely Timing

Hi, Moira, Pete, Shawna, Diane, Wally, Martin, Gillian, Leezann, Jeff, and Keith.

You are the CAFII representatives who have indicated an interest in participating in our planned Fall 2019 Western Canada Insurance Regulators and Policy-Makers Visits Tour; and I wanted to send you this interim update on the likely timing of that tour.

The likely participants in the tour are:

Martin Boyle, BMO Insurance
Moira Gill, TD Insurance
Pete Thorn, TD Insurance
Gillian Noble, BMO Insurance
Diane Quigley, CUMIS/Co-operators
Shawna Sykes, CUMIS/Co-operators
Leezann Freed-Lobchuk, Canada Life
Jeff Kitchen, Canada Life
Wally Thompson, Manulife Financial (tentative)
Keith Martin, CAFII
Brendan Wycks, CAFII

Among the three October weeks which we are considering for the tour, there is no one week that works for everyone among our Member representatives. However, there is a majority preference for the week of Monday, October 21 to Friday, October 25. That week appears to work for 10 CAFII representatives, whereas the next best alternative – the week of October 7 to 11 – works for just eight (8) of our potential group members.

Before being able to firm up which week we should choose and then propose to the insurance regulators and policy-makers we intend to visit, in the form of a fleshed-out itinerary, I'm waiting on some information/answers from both Jan Seibel, Director of Insurance and Real Estate at Saskatchewan's Financial and Consumer Affairs Authority (FCAA); and Tony Toy, CCIR Policy Manager.

Jan indicated to Keith and me in a call yesterday that on the third Thursday of every month, the FCAA's staff executives are occupied in regularly scheduled meetings which take up pretty well the entire day; and we've asked for some clarification around which Thursday that will actually be in October 2019.

We've also asked Tony Toy to confirm the dates of CCIR's Fall 2019 meeting, which we will need to avoid (CCIR's Fall Meeting is typically in the very early days of October); and whether or not CCIR will be holding Stakeholder Dialogue Meetings this October in Toronto. In both 2017 and 2018, the date on which CCIR held its Stakeholder Dialogue Meetings was October 25. So if CCIR's scheduling turns out to be similar/identical again this year, we may end up having to avoid the week of October 21-25 for our Western Canada tour.

So what I can also say in this interim update is this:

- if we do end up going with the week of October 21-25, we will likely end up following an itinerary in which we start our tour in Manitoba and work our way westwards towards BC. There are two advantages to taking that itinerary in that week: (i) the very likely date of this Fall's fixed date federal election is Monday, October 21/19, unless the Trudeau government decides to drop the writ early, in which case the election could be on an earlier Monday in October. So by starting off in Manitoba, most of our CAFII representatives who are based in Toronto would be able to vote on election day (and not be forced to go to an advance poll) and then fly in the late afternoon or early evening to Winnipeg, where our meeting(s) with the insurance regulator and policy-maker in Manitoba would take place on Tuesday, October 22; and (ii) this east-to-west itinerary would also see our meetings in Regina, Saskatchewan occur on Wednesday, October 23/19, thereby avoiding a conflict with the Saskatchewan FCAA's regularly scheduled, all day internal meetings on the third Thursday of the month;

- if CCIR does plan to hold its annual Stakeholder Dialogue Meetings again in the week of October 21-25, our next best week for the Western tour is the week of Monday, October 7 to Friday, October 11, so long as that does not conflict with CCIR's Fall 2019 Meeting; and

- ~~if CCIR's Fall 2019 Meeting is actually happening in the week of October 7 to 11~~ (Tony Toy has just confirmed that the dates of CCIR's Fall 2019 Meeting are September 26 and 27 in Winnipeg. However, there is no date set yet for 2019 Stakeholder Dialogue Meetings.) ~~, we will then have to organize our Western tour for the week of Monday, October 28 to Friday, November 1/19. While it's likely to be a bit colder on the prairies and rainier in BC then than earlier in October, we can still make that week work well, with seven (7) or eight (8) CAFII representatives being able to participate.~~

During CAFII meetings last week in Niagara Falls with staff executives from the Insurance Council of BC; Alberta Insurance Council; Insurance Councils of Saskatchewan; and Insurance Council of Manitoba, we shared our plans for a Western Canada tour this coming October. We learned that there is no potential conflict with CISRO's Fall 2019 Meeting as it will be held in September. And each of the four Western Insurance Council regulators said that they were very much looking forward to receiving/hosting a CAFII delegation in the Fall and to having a productive dialogue. None of the regulators pointed out any constraints around our CAFII tour occurring in any particular week of October, other than the third Thursday of the month potential conflict which Jan Seibel referenced in our call with her yesterday.

From: Brendan Wycks
Sent: May-03-19 2:28 PM
Subject: Fall 2019 CAFII Western Canada Insurance Regulators and Policy-Makers Visits Tour: Request For Board and EOC Member Participation Interest; and Feedback On Timing/Date Options

CAFII Board Members, Board Member Surrogates, and EOC Members:

In keeping with CAFII's Board-approved Strategic Plan and as discussed at recent Board and EOC meetings, we are planning a CAFII Western Canada Insurance Regulators and Policy-Makers Visits Tour for this coming Fall, as a follow-up to the very successful such tour we made of three of the four Western provinces in October 2018 (Saskatchewan had already been covered in June 2018) and similar to the tour we made to the four Atlantic Canada provinces in May of last year.

Board and EOC members are encouraged to consider being a part of the CAFII delegation for **all or some** of the meetings involved in the upcoming Western Canada tour, as interests and schedules/availability will allow.

Having industry practitioner/individual Member company representatives be part of our Association's delegations in such meetings has always been very well-received by regulators and policy-makers and is a point of positive differentiation for CAFII.

Given that there will be four provinces to cover in this year's Western Canada visits tour, the duration of the tour will likely be a full five day work week, with a tentative itinerary being as follows:

- Monday: fly to British Columbia
- Tuesday: meetings with BC insurance regulators and policy-makers; fly to Alberta in the evening;
- Wednesday: meetings with Alberta insurance regulators and policy-makers; fly to Saskatchewan in the evening;
- Thursday: meetings with Saskatchewan insurance regulators and policy-makers; fly to Manitoba in the evening; and
- Friday: meeting with Insurance Council of Manitoba and Manitoba Superintendent of Insurance (combined) in the morning; fly to Toronto or other home destination in the afternoon

At this time, Keith Martin and I ask that you **review the attached one-page document; and let us know by Monday, May 13**

- whether you plan to participate in all, some, or none of this Fall's CAFII Western Canada insurance regulators and policy-makers visits tour; and

- if you do plan to participate, **which of the following timing/date options would work best for you to be part of our CAFII delegation for the liaison meetings:**
  -Monday, October 7 to Friday, October 11, 2019; or
  -Monday, October 21 to Friday, October 25, 2019; or
  -Monday, October 28 to Friday, November 1, 2019.

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