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

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CAFII Executive Operations Committee Teleconference-Only Meeting Agenda

Date: Tuesday, March 24, 2020 **Dial-in:** 416-477-0921/514-447-8925/1-888-543-2449
Chair: M. Boyle **Pin #:** 1500
Time: 2:00 – 4:30 p.m. EST

Item	2:00 p.m.	Presenter	Action	Document
1.	Call to Order	M. Boyle		
2.	Consent Items 2:02 p.m.	Presenter	Action	Document
a.	Regulatory Update			✔
b.	Consultations/Submissions Timetable			✔
c.	Regulator and Policy-Maker Visit Plan			✔
d.	Summary of Board and EOC Action Items			✔
e.	Postponement of 2020 CAFII Annual Members' Luncheon To Fall 2020			✔
3.	Governance Matters 2:05 p.m.	Presenter	Action	Document
a.	Draft Minutes of February 10/20 CAFII Board Special Purpose Teleconference Meeting	B. Wycks	Approval	✔
b.	Draft Minutes of February 25/20 EOC Teleconference-Only Meeting	B. Wycks	Approval	✔
c.	Conversion of April 7/20 CAFII Board Meeting To A Teleconference-Only Meeting	B. Wycks/K. Martin	Update	✔
d.	Rescheduling of 2020 Informal Liaison Lunch and Industry Issues Dialogue With AMF Staff Executives	B. Wycks/K. Martin	Update	✔
e.	Communications and Timelines Re CAFII 2020 Annual Meeting of Members On June 9/20	B. Wycks	Update	✔
f.	CAFII Initiation Member and Associate Prospects	B. Wycks/K. Martin	Update	
4.	Financial Management Matters 2:20 p.m.	Presenter	Action	Document
a.	Financial Statements as at February 29/20	T. Pergola	Update	✔
b.	Draft 2019 CAFII Audited Financial Statements	T. Pergola/B. Wycks	Update	✔
c.	Timelines for Board and Membership Approval of CAFII 2019 Audited Financial Statements	B. Wycks	Update	✔
5.	Committee Updates 2:30 p.m.	Presenter	Action	Document
a.	Research & Education		Update	
i.	Recommendations on 2020 CAFII Research	A. Stuska/K. Martin	Update/ Discussion	✔
b.	Market Conduct & Licensing	B. Kuiper	Update	
c.	Media Advocacy	C. Blaquiere	Update	✔
i.	CAFII 2019 Website Metrics Report From RankHigher	K. Martin	Update	✔
ii.	CAFII 2020 Website Investment Plans/Initiatives	K. Martin	Update	✔
iii.	CAFII CPI Opinion Piece In Canadian Business Quarterly	K. Martin	Update	✔
d.	Travel Medical Insurance Experts	A. Baig	Update	
e.	Networking & Events	S. Kirby/J. Lewsen	Update	
6.	Recent and Upcoming Strategic and Regulatory Initiatives 3:00 p.m	Presenter	Action	Document
a.	March 9/20 CAFII Presentation Meeting with FCAC Staff Executives On "Credit Protection/Authorized Insurance Product Sales Practices and Fair Treatment of Consumers"	K. Martin/B. Wycks	Update	✔ (3)
i.	CAFII Future Use of WTW-Produced Key Data Point Slides	K. Martin	Update	✔ (2)
b.	CAFII Liaison/Interaction With AMF On Credit Card-Embedded Insurance Benefits Issue	K. Martin	Update	✔ (2)
i.	Response From AMF To CAFII Deadline Extension Request Re "Creative Solutions" Submission	B. Wycks	Update	✔
ii.	Norton Rose Strategy Proposal To CAFII Re AMF Credit Card-Embedded Insurance Benefits Issue	K. Martin	Update	✔
iii.	CAFII Working Group on Credit Card-Embedded Insurance Benefits and Industry Relations With The AMF	S. Kirby/K. Martin	Update	✔ (2)
iv.	CAFII Board Special Purpose Teleconference Meeting Re Strategy and Next Steps on AMF Credit Card-Embedded Insurance Benefits Issue: Thursday, March 26/20, 1:00 to 2:00 p.m. Eastern	B. Wycks	Update	✔
c.	AMF Response Letter To CAFII Members' Action Plans Re Runoff Of Non-Debtor/Spousal CPI Coverage	K. Martin	Update	✔

d.	AMF Correspondence Re Operational Incident Reporting, Including Publication Of Guideline On Information and Communications Technology Risk Management, February 2020	M. Boyle/A. Stuska	Update	✔ (4)
e.	March 5/20 CAFII Stakeholder Meeting With CCIR/CISRO FTC Working Group	B. Wycks/K. Martin	Update	✔
i.	CAFII Completion Of A Third Party-Conducted Survey Exercise Re Member-Utilized Incentives and Compensation Models, for June 2020 Quarterly Meeting With CCIR/CISRO FTC Working Group	K. Martin	Update	
f.	Launch of Saskatchewan RIA Advisory Committee	B. Wycks/M. Gill	Update	✔ (2)
g.	Launch Of CAFII Quarterly Credit Protection Insurance Benchmarking Study	K. Martin	Update	
h.	CAFII Credit Protection Insurance Industry Best Practices Working Group: Progress Report	M.Boyle/K.Kasperski	Update	✔
i.	Call for Additional EOC and Other Member Company Volunteers For Work Streams	K. Martin	Update	
i.	Proposed CAFII/Industry-Level Co-ordinated Action Re Covid-19	K. Martin	Discussion	✔
j.	Proposal From A Board Member That CAFII Engage In Consumer Research and Issue A Media Release Re Covid-19 and CPI Coverage	K. Martin	Update/ Discussion	
k.	Proposed Amendments to Regulations Under Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada); and Potential Impact Upon Life Insurers, Brokers, and Agents	D. Ewen	Update/ Discussion	✔
l.	Proposed Approach and Target Dates For CAFII 2020 Atlantic Canada Insurance Regulators and Policy-Makers Visits	B. Wycks	Update	✔

7.	Other Business 4:20 p.m.	Presenter	Action	Document

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

Next Board Meetings: (i) Special Purpose Board Teleconference Meeting Re AMF Credit Card-Embedded Insurance Benefits Issue: Thursday, March 26/20, 1:00 to 2:00 p.m. Eastern
(ii) April 7/20 Teleconference-Only Meeting: 2:00 to 4:30 p.m.

Next EOC Meeting: Tuesday, April 28, 2020, 2:00 p.m. – 4:00 p.m. teleconference-only meeting

2020 CAFII Annual Members' Luncheon: Postponed to Fall 2020

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Regulatory Update – CAFII Executive Operations Committee, 18 March, 2020

Prepared by Keith Martin, CAFII Co-Executive Director

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Federal/National

Minister of Innovation, Science, and Industry

Prime Minister's Mandate Letter to the Minister of Innovation, Science and Industry Calls for the Creation of a New Canadian Consumer Advocate

At the 9 March, 2020 in-person meeting between CAFII and the Federal Consumer Agency of Canada (FCAC) in Ottawa, CAFII learned that the FCAC was trying to get more information about the creation of a new federal Canadian Consumer Advocate. This was announced in the 13 December, 2019 Mandate Letter from the Prime Minister to the Minister of Innovation, Science, and Industry, which states:

> *With the support of the Minister of Middle Class Prosperity and Associate Minister of Finance and the Minister of Seniors, create a new Canadian Consumer Advocate to ensure a single point of contact for people who need help with federally regulated banking, telecom or transportation-related complaints. Ensure that complaints are reviewed and, if founded, that appropriate remedies and penalties can be imposed.*

The full mandate letter can be viewed at: https://pm.gc.ca/en/mandate-letters/2019/12/13/minister-innovation-science-and-industry-mandate-letter

Federal Consumer Agency of Canada (FCAC)

FCAC Releases Reports on Bank Complaint Handling Procedures and Operations of External Complaints Bodies

Fasken reported on 2 March, 2020 that the The Federal Consumer Agency of Canada (FCAC) recently released a report on bank complaint handling procedures (the CHP Report) and a report on the operation of external complaints bodies (the ECB Report).

The reports address the FCAC's findings from reviews of banks' complaint handling procedures (CHPs) and external complaint bodies (ECBs) that were conducted in response to a request from the Minister of Finance following the FCAC's 2018 review of domestic retail sales practices.

Fasken notes that the review of CHPs was conducted between November 2018 and June 2019 and focussed on the six largest Canadian banks. It aimed to determine whether the banks had implemented the policies and procedures required to handle complaints in a way that met the standards for effectiveness (whether banks were resolving complaints to most consumers' satisfaction), accessibility (whether consumers knew how and where to make a complaint and were able to do so with relative ease), and timeliness (whether banks resolved consumer complaints within a timeframe defined by the regulators and that the consumer considers reasonable) set out in the *Bank Act* and FCAC guidance.

The CHP Report acknowledges potential limitations, including that it was conducted during a limited time period and that it does not, therefore, reflect improvements that banks may have made to their CHPs since the review was completed.

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Canadian Federation of Independent Business (CFIB)

CFIB Releases Report that States that 1 in 4 Canadian Businesses Could Collapse From Big Income Drop Due to COVID-19

Wealth Professional reports that the devastating impact of the virus outbreak on Canada's small businesses has been highlighted in a new report.

It shows that half of small firms say that their sales have fallen as a result of the COVID-19 crisis and 1 in 4 believe that a big drop in income would finish them in just one month.

The Canadian Federation of Independent Business report shows that hospitality, arts/recreation, retail and personal services are most impacted with a $66,000 average cost to those affected.

Four in ten respondents said they would have zero sales if face-to-face contact becomes impossible. "The early economic impacts of coronavirus on Canada's SMEs has been massive," stated Dan Kelly, CFIB president. "Even more alarming is our finding that a full quarter of small firms would not be able to survive for more than a month with a drop in business income of more than 50%."
Among the measures that small businesses have taken are reducing staff hours (43%) and temporary lay-offs (20%).

Almost 4 in 10 respondents said they have suffered supply chain issues.

While the CFIB acknowledges the importance of keeping people safe, it also warns that the economic impact of self-isolation must be effectively addressed by the government. "While waiving the one-week EI waiting period and expanding the Work-Sharing program were helpful moves, CFIB is concerned with calls to mandate employers to provide 14 sick leave days at a time when they are already experiencing tremendous cost pressures and decreases in revenues," added Corinne Pohlmann, CFIB's senior vice-president of national affairs. "Governments need to step in and offer direct cash support to employees and the self-employed who are forced to self-isolate, as has happened in the UK, Ireland, Norway, Sweden and Denmark."

Survey respondents have several measures that they would like to see the government implement:

- Provide temporary tax relief on income, payroll and sales taxes (69%)
- Cancel planned tax increases such as CPP/QPP and carbon tax (66%)
- Delay tax filing deadlines and eliminate penalties for late payments and remittance (65%)
- Introduce wage subsidies for businesses to retain staff (58%)
- Create incentives to boost consumer spending (46%).

"We trust that governments are doing everything they can to ensure Canadians are safe," concluded Kelly. "But we must also ensure the economic survival of our small and medium-sized businesses to ensure we can get back to normal as soon as the threat is over."

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Provincial/Territorial

British Columbia

BC Financial Services Authority

BCFSA Releases its 2020/21 to 2022/23 Service Plan

On 18 February, 2020 BC Financial Services Authority (BCFSA), which came into force as the successor to FICOM on 1 November, 2018, published its 2020/21 to 2022/23 Service Plan. The Plan states that

> *The Government of British Columbia remains focused on its three strategic priorities: making life more affordable, delivering better services, and investing in a sustainable economy. Crowns are essential to achieving these priorities by providing quality, cost-effective services to British Columbia families and businesses.*

The Service Plan states that

> *In addition to the risk-based supervisory framework for regulated financial entities, the BCFSA also monitors the system for any violations of fair business practices such as mis-selling, unfair or misleading contracts and coercive sales tactics. The BCFSA ensures that no unauthorized business takes place in BC and that no unlicensed insurance agents, adjusters and salespeople operate in BC. The BCFSA may also appeal decisions of the Insurance Council of British Columbia.*

The Plan states that BCFSA wants to

> *Increase number of on-site and face-to-face meetings with regulated entities and base subsequent monitoring on these supervisory assessments.*
> - *Our goal is for each financial institution (credit union, insurance company and trust company) to receive at least one (1) face-to-face meeting per year with the BCFSA.*
> - *…*
> - *We will establish for turnaround times for the delivery of supervisory letters. Initial metric will be 90 days from the exit meeting (for on-site reviews). As processes and system tools improve, timelines will be reduced to 60 days effective March 2021.*

The Service Plan commits to increased targeted examinations of market conduct activities, and to increase responsiveness to complaints. In an encouraging section, the Plan states that "In order to regulate effectively and in a proportionate manner, the BCFSA needs to engage with regulated entities and individuals to understand their views, challenges and opportunities. As well, the BCFSA needs to engage with other regulators to look to opportunities to harmonize regulation, where possible."

The full service plan is available at: https://www.bcfsa.ca/pdf/aboutus/ServicePlan.pdf

Alberta

Government of Alberta

Alberta Drops Coverage for Out-of-Country Non-Urgent and Elective Health Services

Insurance Business Canada reported on 21 February, 2020 that the provincial government of Alberta has announced that it will no longer provide coverage for Albertans' elective, non-urgent health services and routine lab tests performed out-of-country.

The change takes effect April 01, 2020. Following the move, Alberta will join the majority of provinces in not offering the coverage. Only Quebec and Newfoundland and Labrador still provide coverage for out-of-country elective, non-urgent services.

Although that coverage will be dropped, Alberta will still continue to partially cover emergency health services."Unlike the recent change in Ontario, Albertans will continue to be partially reimbursed for insured emergency health services needed when traveling outside Canada," a media release from the province explained.

The government also said in its release that the change is expected to save the province about $1 million annually; the savings will be reinvested into enhancing Alberta's health system.

Ontario

Financial Services Regulatory Authority of Ontario (FSRA)

Three New FSRA Market Conduct Staff Members Join CCIR/CISRO Fair Treatment of Consumers Working Group

At the 5 March, 2020 CAFII Quarterly Stakeholder Meeting with the CCIR/CISRO FTC Working Group, three new market conduct employees from FSRA were present.

Antoinette Maramieri is Head, Insurance, FSRA. Anthonet Maramieri was previously the COO of the Alberta Insurance Council, and CAFII has had long-standing and positive relations with her.

Chris (Christine) Caldarelli is Senior Policy and Technical Lead at FSRA. Chris Caldarelli advised that she had previously worked in Senior Counsel roles at TD Bank, Forester's, and Manulife Financial, during which time she had significant exposure to credit protection insurance products.

Tim Mifflin is Insurance Market Conduct Division, FSRA. Tim Mifflin advised that he had previously worked at the Financial Services Authority (FSA), predecessor national regulator to the current Financial Conduct Authority (FCA) in the UK, and at Royal & Sun Alliance in the UK.

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FSRA Website Posts Updated Executive Structure

FSRA has Published an Updated Executive Structure on its Website.
Reporting to CEO Mark White are the following positions and people:

EVP Pensions (Caroline Blouin);
EVP Auto/Insurance Products (Tim Bzowey);
EVP Market Conduct (Huston Loke);
EVP Credit Union and Prudential (Guy Hubert);
EVP Policy & Chief Consumer Officer (Glen Padaserry);
EVP Legal and Enforcement (Jordan Solway);
Chief Public Affairs Officer (Judy Pfeifer);
EVP Corporate Services (Stephen Power).

The EVP Corporate Services EVP Stephen Power has the following positions and people reporting to him:
Chief Financial Officer (Randy Nanek);
Chief HR Officer (Kelly Kimens);
Chief IT Officer (Aleksandar Simic);
Chief Risk Officer (Alston Perianayagam).

FSRA Issues Press Release on Burden Reduction

FSRA Press Release States that it has Made Significant Progress in Reducing Regulatory Burden for Industry
FSRA issued a press release on 6 March, 2020 in which it states that "Since its launch, the Financial Services Regulatory Authority of Ontario (FSRA) has taken significant steps towards regulatory transformation that will reduce regulatory burden and protect the public interest." The release goes on to cite the following as examples of progress made:

- *Reviewing over 1,100 pieces of inherited regulatory guidance and maintaining only those that are relevant and necessary, resulting in a 51% overall reduction;*
- *Streamlining data collection and filings by eliminating requirements for unused/underutilized data and filings; and*
- *Developing a new service standard framework that will help ensure the consistent delivery of timely and predictable regulatory activities.*

The press release adds that:

> *FSRA also introduced a new guidance framework to streamline processes and provide greater clarity on what is required of regulated entities. This framework reduces guidance to four distinct categories, making it easier to conduct business. Remaining inherited guidance will, over time, be reviewed and updated within this framework.*

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> *"Our goal was to ensure we built a foundation for regulatory effectiveness and achieve a 25 per cent reduction of inherited guidance by fall 2020 – with the help of our stakeholders, we have already well surpassed that target," said CEO Mark White. "This is just the start. We will continue to build a principles-based and outcomes-focused regulator, and assist businesses in offering reliable and innovative financial products and services that meet the needs of Ontarians."*
>
> *"FSRA plays an important role in building a stronger, more competitive business environment in Ontario," said Minister of Finance, Rod Phillips. "FSRA has made significant progress in modernizing financial services regulation and reducing regulatory burden, while being responsive to the needs of businesses and protecting consumers."*

To view FSRA's full report, please visit: Burden Reduction Progress Report (March 2020).

International Developments, Research, and Thought Leadership

Survey of Life Insurers View of Covering Canadians with COVID-19

Survey Finds that For Many Life Insurers, Canadians with Coronavirus could be too Big a Risk to Cover
Life Health Professional reports that as the impact of the coronavirus continues to spread across industries and regions, Canadian life insurance companies are struggling to get a handle on the danger it poses — and those who are infected could pay the price.

Citing a new survey of Canadian life insurers conducted by LSM Insurance, the National Post reported that some companies would flat-out deny coverage to applicants who have contracted the disease, while others would consider accepting those who have been certified disease-free under certain conditions.

"It's not that they think it's a horrible thing," Lorne Marr, insurance broker and director of new business for LSM Insurance, told the Post. "It's not like you have terminal cancer … Insurance is about compiling and analyzing data, and there's still very, very limited data."

According to the survey, respondents fell into two broad groups: insurers without a defined approach to deal with coronavirus, and those who could explain exactly under what conditions people with coronavirus can get life insurance.

Among the first group, companies said they would either decline the application, delay it until they have a clearly-defined course of action, or offer only guaranteed-issue life insurance. Such policies, LSM Insurance noted, usually don't pay claims within one or two years of issuance; aside from not requiring medical screening, they also come with higher premiums and lower payouts, reported the Post.

The second group, meanwhile, said they will offer standard or simplified life insurance policies to those who have been certified coronavirus-free for at least three months, or fully healed and cleared by a physician after being diagnosed.

While the response might seem harsh for applicants, it's actually laxer compared to the industry response to SARS before. Speaking to the Post, Marr said that insurers at the time refused to cover anyone who had come down with the virus, adding that it changed eventually for those who made full recoveries.

Ernst & Young

EY Canada Study Implores Insurers To Rethink Business Models

Insurance Portal reports on an Ernst & Young study that states that Canadian insurers need to rethink existing business models to overcome challenges brought on by new emerging technologies and intensifying competition.

"Canadian insurance providers are vulnerable to shifting trends within their own industry," says Neil Pengelly, EY Canada Insurance Technology leader. "Declining levels of consumer trust, along with legacy technology systems and a growing skills gap are creating more urgency for change. Those with a clear vision of the future and the courage to invest in thoughtful, customer-focused business models will emerge as leaders in the new economy."

EY explains what to prioritize when redesigning business models in its *NextWave Insurance: personal and small commercial 2020 report.* It recommends that insurers develop "seamless digital experiences". The insurers that will increase market share will anticipate consumer needs, target and cross-sell more effectively, build out robust self-service capabilities and focus on data-driven customer relationships. In addition, EY says insurers will benefit by moving to cloud-based platforms by partnering with ecosystem relationships (e.g. sharing platforms, social media, InsurTechs and data providers) to offer specialized, but complementary services in mutually beneficial ways.

Finally, the report says insurance companies can increase customer trust by developing effective techniques with respect to cyber risk protection, including proactive monitoring to incident response and adopting possible defenses to protect their customers from identity theft and data breaches. "While tomorrow's leading insurance businesses will be purpose-led in their strategies — including more agile with their resources and dramatically more customer-centric — the most important capability will be their ability to drive organizational change," says Pengelly. "Creating an aspirational purpose, new offerings or traditional business models isn't enough. Insurers must also get better at execution."

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Appendix A

CAFII Alerts 17 January – 17 March 2020

Date of Email Alert	Topic of CAFII Alert
16 March 2020	CLHIA Issues Statement Regarding Coronavirus Pandemic; RSA Canada Imposes 10-day Limitation On Medical and Travel Cancellation Insurance; and March 15/20 Canadian Snowbird Association Member Advisory
12 March 2020	CLHIA Applauds Nova Scotia Government's Prohibition Of Life Insurance Trafficking
11 March 2020	RBC Confirms Mississauga Employee Tests Positive For Coronavirus; Strictly By The Numbers, The Coronavirus Does Not Register As A Dire Global Crisis; and Coronavirus Can Be Transmitted Before Symptoms Develop, New Analysis Suggests
10 March 2020	CBC Article on "Travelling during the coronavirus outbreak? Here's what you need to know right now"
5 March 2020	2 Canadian Insurance Companies Stop Covering Coronavirus-Related Trip Cancellations
5 March 2020	Willis Towers Watson Webcast/Webinar On "Implications of Coronavirus for Employers": Tuesday, March 10/20, 1:00 to 2:00 p.m. Eastern
4 March 2020	Fasken Financial Services Bulletin -- FCAC Releases Reports on Bank Complaint Handling Procedures and Operations of External Complaints Bodies
3 March 2020	CLHIA Urges Caution On Title Regulation
3 March 2002	Canadian Insurer Demands Travelling Employees To Self-Quarantine Amid COVID 19
3 March 2020	Life and Health Insurance Industry Deploying New Technologies In The Fight Against Fraud
19 February 2020	FCAC Sees Room For Improvement In Banks' Complaint Processes
19 February 2020	Duo Bank (formerly Walmart Bank Canada) Buying Fairstone Financial
19 February 2020	BC Gangster's Family Sue Over Denied Life Insurance Claim
19 February 2020	Government of Canada Puts Special Conditions In Place To Allow Life Insurance Benefits/Proceeds To Be Paid To Beneficiaries Who Are Iranian Citizens (Related To Ukrainian Flight 752 Tragedy Only)
14 February 2020	Canadian Premier Life Insurance Company Acquires Gerber Life Canadian Insurance Business
6 February 2020	Coronavirus Scare Puts Travel Insurance In Focus
3 February 2020	Restaurant Association Requests Tax Exemption On Insurance Premiums
3 February 2020	CBC News Article on Credit Card Insurance
31 January 2020	Manulife Canada CEO Sees Apple and Netflix as Insurance Competitors
29 January 2020	Court Affirms Rejection of Former Cabinet Minister's Cancer Claim; and Insurance Preparation Gap Leading to Millions in Unclaimed Benefits
24 January 2020	Free Tuesday, February 4/20, 2:00 p.m. ET, U.S.-Based Webinar On "Successful Banks and Insurers Know A Superior Customer Experience Is A Competitive Advantage"
17 January 2020	Second AMF Letter Received By A CAFII Member This Week, Related To Section 138 Of The Insurers Act

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Date of Email Alert	**Topic of CAFII Alert**
17 March 2020	Ontario's Insurance and Financial Regulator (FSRA) Details Business Continuity Plan
17 March 2020	Travel Insurance Industry Grapples With Coronavirus

March 18, 2020

CAFII Consultations/Submissions Timetable 2020-21

Regulatory Issue	Deliverable	Deadline	Accountable
BC Ministry of Finance 10-Year Review of FIA (Initial Public Consultation Paper released June 2, 2015)	• Ministry announces FICOM transition into Financial Services Authority (FSA) • FICOM-led Consultation on Industry Funding of BCFSA (successor regulator) • CAFII submission on Industry Funding of BCFSA • Revised Financial Institutions Act (FIA) tabled in the legislature • **CAFII submissions on draft Regulations in support of Revised FIA** • CAFII Meeting with Ministry of Finance staff executives • *CAFII Follow-up Meeting with Ministry officials Re Credit Protection Insurance Sales Practices and Related Fair Treatment of Consumers Considerations*	• April 4/19 • Released June 10, 2019 • July 24/19 • October 21/19 • **Q3 2020 through Q4 2021** • October 25/19 • *Q2 or Q3 2020*	• Mkt Conduct & Licensing Committee; Co-EDs to monitor
AMF Sound Commercial Practices Guideline Update	• AMF releases consultation document • **CAFII submission on updated Sound Commercial Practices Guideline**	• Q1 or Q2 2020 (expected) • **Q1 or Q2 2020**	• Mkt Conduct & Licensing Ctte; Co-EDs to monitor
Quebec Bill 141 and Related Regulations (including Regulation Respecting Alternative Distribution Methods, RADM)	• 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)	• June 2018 • October 10, 2018 • December 10, 2018 • April 17/19 • June 13/19: Chapter 2; June 13/20: Chapter 3	• 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 • *Deferred from Q4 2019 to March 5/20*	• Mkt Conduct & Licensing Ctte; Co-EDs to monitor
CCIR 2020-2023 Strategic Plan	• CCIR releases preliminary consultation draft of 2020-23 Strategic Plan • CAFII 2019 Stakeholder Meeting With CCIR Focused On Strategic Plan • CCIR announces formal deadline for written submissions • **CAFII submission on CCIR 2020-2023 Strategic Plan**	• September 30, 2019 • November 5, 2019 • Q1 2019 (expected) • **Q2 2020 (expected)**	• Mkt Conduct & Licensing Committee; EOC; Co-EDs to monitor
SK Bill 177	• FCAA delays implementation of new Act and Regulations to Jan 1/20 • FCAA releases transition-related Guidance and Interpretation Bulletin • FCAA releases further transition-related Guidance/Interpretation Bulletin(s)	• November 26, 2018 • May 17, 2019 • Q1 2020 (expected)	• Mkt Conduct & Licensing Cttee; Co-EDs to monitor
FCNB Insurance Act Rewrite and Introduction of RIA Regime	• CAFII Meeting with David Weir and Jennifer Sutherland Green, FCNB in Fredericton • CAFII submission on FCNB Licensing of Insurance Adjusters and Damage Appraisers Consultation • FCNB launches industry consultation on RIA licensing regime model • CAFII submissions on FCNB's Insurance Act Rewrite and RIA Regime • <u>*CAFII meeting with FCNB re its proposed RIA licensing regime model*</u>	• June 11, 2019 • July 2/19 • November 29, 2019 • January 31, 2020 • <u>*Q2 or Q3 2020 (post-COVID-19 outbreak)*</u>	• Mkt Conduct & Licensing Ctte; Co-EDs to monitor

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

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Agenda Item 2(c)
March 24/20 EOC Teleconference Meeting

<u>CAFII Insurance Regulator and Policy-Maker Meetings From February 21, 2020 To March 18, 2020</u>

<u>Date</u>	**<u>Event/Occasion</u>**	**<u>Who</u>**
5 March 2020	Delegation of three (3) CAFII in-person representatives (Huma Pabani, TD Insurance; and B. Wycks and K. Martin, Co-Executive Directors) had quarterly stakeholder meeting with CCIR/CISRO Fair Treatment of Customers Working Group Re Industry Implementation of CCIR/CISRO "Guidance: Conduct of Insurance Business and Fair Treatment of Customers (supplemented by several CAFII representatives on the phone: Martin Boyle, BMO Insurance and EOC Chair; John Lewsen, BMO Insurance; Greg Cairns, BMO Insurance; Dana Easthope, Canadian Premier Life Insurance; Shawna Sykes, Co-operators/CUMIS Services Inc.; Diane Quigley, CUMIS Services Inc.; Michelle Costello, CUMIS Services Inc.)	***<u>From CCIR/CISRO: In-Person</u>*** -Louise Gauthier, Senior Director, Distribution Policies, AMF Quebec and Co-Chair of the FTCWG -Isabelle Berthiaume, Director, Prudential Insurance Supervision, AMF Quebec -Antoinette Maramieri, Head, Insurance, FSRA Ontario -Swati Agarwal, Senior Manager, Life Insurance Market Conduct, FSRA Ontario -Chris (Christine) Caldarelli, Senior Policy and Technical Lead, FSRA Ontario -Tim Mifflin, Specialist, Insurance Market Conduct Division, FSRA Ontario -April Stadnek, Director, Strategic Initiatives at ICS Saskatchewan -Jennifer Calder, Deputy Superintendent of Insurance, Nova Scotia -Tony Toy, CCIR Policy Manager ***<u>From CCIR/CISRO: By Teleconference</u>*** -Ron Fullan, Executive Director, ICS Saskatchewan and Co-Chair of the FTCWG -Harry James, Senior Regulatory Advisor, BC Financial Services Authority -Veronique Martin, AMF

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		-Robert Picard, Compliance Officer, Pensions and Insurance Division, FCNB New Brunswick
9 March 2020	Delegation of six (6) in-person CAFII representatives (Chris Lobbezoo, RBC Insurance; Martin Boyle, BMO Insurance; Rob Dobbins, Assurant; Dana Easthope, Canadian Premier Life Insurance; and B. Wycks and K. Martin, Co-Executive Directors) had presentation and dialogue meeting with Financial Consumer Agency of Canada (FCAC) staff executives at FCAC office in Ottawa on "Credit Protection/Authorized Insurance Products Sales Practices and Related Fair Treatment of Customers Considerations"	-Teresa Frick, Acting Managing Director: Supervision & Promotion Branch -Stephen Wild, Senior Research & Policy Officer -Laury Johnson, Senior Supervisor -Vincent Gadbois, Supervision Officer -Ruth Stephen, Director: Research, Policy & Education -Véronique Milot, Manager: Consumer Education -Dave Hayes, Research & Policy Officer -Thierry Plante, Senior Consumer Education Officer

Summary of CAFII Board and EOC Action Items					
	Source	Action Item	Responsible	Deadline	Status March 18, 2020
		AMF Quebec			
1	EOC January 21, 2020	Take necessary steps to launch CAFII Working Group on Regulatory Relationship-Building, Communications, and Advocacy With The AMF Re Credit Card-Embedded Insurance Benefits, taking into account CAFII Board feedback on this proposed initiative and Board direction on next steps to be taken on this issue with the AMF.	K. Martin	6-Mar-20	Complete
		Atlantic Canada Insurance Regulators and Policy-Makers			
2	EOC January 21, 2020	Prepare a revised Options document re a 2020 CAFII Atlantic Canada Insurance Regulators and Policy-Makers Visits Tour, taking EOC input into account.	B. Wycks	24-Mar-20	Complete
		Association Strategy and Governance			
3	EOC and Board: October 2019	Launch CAFII EOC Working Group to Explore a New Lower Dues Category of CAFII Membership, via a first meeting and a draft Terms of Reference for this Working Group.	B. Wycks/K. Martin	31-Mar-20	In progress
4	EOC May 29, 2018	Develop a summary job description for the CAFII EOC Chair role and circulate it to EOC Members.	Brendan, Keith	30-Jun-20	In progress
5	EOC February 27, 2018	Document in writing the process for reviewing, approving, and admitting applicants for CAFII Members and Associate status	Brendan	30-Jun-20	In progress

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Agenda Item 2(e)
March 24/20 EOC Teleconference Meeting

From: Pamela Wygodansky (FCAC/ACFC) <Pamela.Wygodansky@fcac-acfc.gc.ca>
Sent: March-12-20 9:11 AM
To: Brendan Wycks <brendan.wycks@cafii.com>
Cc: JoAnne Buteau (FCAC/ACFC) <JoAnne.Buteau@fcac-acfc.gc.ca>; Keith Martin <Keith.Martin@cafii.com>; Felicia Tavares <Felicia@cafii.com>; Natalie Hill <Natalie.Hill@cafii.com>
Subject: RE: Postponement and Rescheduling of 2020 CAFII Annual Members' Luncheon Due To Escalating Covid-19 Coronavirus Situation

Good Morning Brendan,

Thank you for letting us know so promptly. The Agency also takes the health and welfare of its staff very seriously and we can most certainly appreciate the need to take precautionary measures.

With November being Financial Literacy Month, you are correct in surmising that it is a very active month for FCAC. Therefore I do suggest avoiding November when you send a proposed list of dates for the luncheon.

We look forward to hearing from you again in the near future.

Best regards,
Pam

From: Brendan Wycks <brendan.wycks@cafii.com>
Sent: Wednesday, March 11, 2020 2:23 PM
To: FCAC.Events-Évènements.ACFC <FCAC.Events.Evenements.ACFC@fcac-acfc.gc.ca>; JoAnne Buteau (FCAC/ACFC) <JoAnne.Buteau@fcac-acfc.gc.ca>; Pamela Wygodansky (FCAC/ACFC) <Pamela.Wygodansky@fcac-acfc.gc.ca>
Cc: Keith Martin <Keith.Martin@cafii.com>; Felicia Tavares <Felicia@cafii.com>; Natalie Hill <Natalie.Hill@cafii.com>; Judith Robertson (FCAC/ACFC) <Judith.Robertson@fcac-acfc.gc.ca>; Teresa Frick (FCAC/ACFC) <Teresa.Frick@fcac-acfc.gc.ca>; Sara Desjardins (FCAC/ACFC) <Sara.Desjardins@fcac-acfc.gc.ca>
Subject: Postponement and Rescheduling of 2020 CAFII Annual Members' Luncheon Due To Escalating Covid-19 Coronavirus Situation

Hi again, Pam and JoAnne.

<u>What a difference 24 hours can make!</u>

Given escalating considerations related to the Covid-19 coronavirus, CAFII has now decided to postpone our 2020 Annual Members' Luncheon and not hold it on Thursday, March 26/20.

We've taken that decision mainly because three of our CAFII Member organizations have just implemented company-wide HR policies which prohibit attendance at gatherings with large numbers of people (often 8 or 10 people is the threshold), through to April 30/20 (with the possibility of extension beyond that date). And other Members of our Association are sure to follow suit in the coming days. (You may find the information I've pasted in below, beneath my signature block, to be of interest.)

Instead, we would like to reschedule the date of our 2020 Annual Members' Luncheon to this Fall and seek to confirm a new date on which Commissioner Robertson can be our guest speaker – in September, October, or perhaps the first half of November.

We will very shortly reach out to you with a list of Fall dates that would work for our Association for a rescheduled 2020 CAFII Annual Members' Luncheon in Toronto and work with you to identify one that will also work well for Commissioner Robertson.

CAFII Member representatives were eagerly looking forward to the Commissioner's presentation/remarks on March 26, so we definitely want to rebook her for the Fall as we view her guest speaker presentation to our Association as very much a win-win opportunity.

Are there any times in the Fall to avoid in our proposed list of rescheduling dates? Perhaps avoid November altogether, given that it is Financial Literacy Month?

Brendan Wycks, BA, MBA, CAE
Co-Executive Director
Canadian Association of Financial Institutions in Insurance
Brendan.wycks@cafii.com

On Mar 10, 2020, at 3:42 PM, FCAC.Events-Évènements.ACFC <FCAC.Events.Evenements.ACFC@fcac-acfc.gc.ca> wrote:

Good afternoon Brendan,

I am certain you have been closely monitoring the developments with respect to COVID-19 and as such I wanted to touch base with you about the Members' Luncheon on March 26th. Is CAFII planning to go ahead as planned or will there be changes to the scheduling of this event?

Kind regards,
Pam

Pamela Wygodansky

Outreach Coordinator, Marketing and Communications
Financial Consumer Agency of Canada / Government of Canada
pamela.wygodansky@fcac-acfc.gc.ca / Tel : 613-298-9839 / TTY : 613-947-7771

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From: Keith Martin <Keith.Martin@cafii.com>
Sent: March-11-20 11:06 AM
To: Nicole Benson <nicole.benson@valeyo.com>; Chris Lobbezoo <chris.lobbezoo@rbc.com>; Paul Cosgrove <paul.cosgrove@assurant.com>; Andre Langlois <andre.langlois@dsf.ca>; Louie Georgakis <louie_Georgakis@canadalife.com>; Janice Farell-Jones <janice.farrelljones@td.com>; Zack Fuerstenberg <zack.fuerstenberg@scotiabank.com>; Peter McCarthy <peter.mccarthy@bmo.com>; sandra Rondzik <sandra.rondzik@cibc.com>; Peter Thompson <Peter.Thompson@bnc.ca>; Wallace Thompson <wallace_thompson@manulife.com>; kelly Tryon <kelly.tryon@cumis.com>; Sophie Oulette <sophie.ouellet@sunlife.com>
Subject: Urgent Message to CAFII Board of Directors re: Annual Members Luncheon and COVID-19

Dear CAFII Board of Directors (copy EOC Members and Board Surrogates):

Regrettably, very recent COVID-19 novel coronavirus developments have brought Brendan and me to a position where, out of prudence and in CAFII's best interests, we must recommend to the Board of Directors a postponement of our 2020 CAFII Annual Members' Luncheon on Thursday, March 26/20, with FCAC Commissioner Judith Robertson as guest speaker, and a rescheduling for the Fall of this year.

We now have two Members (CIBC Insurance and Sun Life Financial) which have indicated that due to recently implemented, company-wide HR policies, in force until the end of April 2020, they are not permitted to have anyone attend the CAFII Annual Members' Luncheon on March 26.

A third member (TD Insurance) has indicated that its representation at the March 26/20 CAFII Luncheon event will likely be limited to a very small number of individuals or perhaps prohibited altogether.

It is our expectation that this will become an issue for additional CAFII Members over the next several days or weeks.

Furthermore, the office of the FCAC Commissioner Judith Robertson reached out to CAFII yesterday to inquire as to whether the COVID-19 situation has caused any changes in our plans, which suggests that our speaker herself has concerns about attending our CAFII Annual Members' Luncheon on Thursday, March 26.

On a separate but similarly imminent and important scheduling matter, Brendan and I will monitor the situation carefully and communicate with the Board (and EOC) next week as to whether we recommend a postponement of or change in approach with respect to the upcoming CAFII Board in-person meeting on 7 April, 2020, being hosted by Desjardins Financial Security in Levis, Quebec at which we have a liaison meeting planned with AMF executives. However, unlike the Annual Members' Luncheon, that Board meeting itself could still proceed as a teleconference-only meeting. If you have any views on postponing the in-person 7 April, 2020 Board meeting, including the meeting with the AMF, to the Fall of 2020, please let us know.

Meanwhile, please let us by end of today, whether you agree or disagree with our recommendation to postpone the 26 March, 2020 CAFII Annual Members Luncheon and reschedule it to the Fall, so that we can make the necessary arrangements without further delay.

AGREE ________________

DISAGREE ________________

Keith Martin
Co-Executive Director / Co-Directeur général
Canadian Association of Financial Institutions in Insurance
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CAFII Board of Directors Special Purpose Teleconference Meeting
Monday, February 10, 2020
MINUTES

<u>In Attendance</u>

Directors Present:	Nicole Benson	Valeyo	*Chair*
	Chris Lobbezoo	RBC Insurance	
	Zack Fuerstenberg	ScotiaLife Financial	
	Sandra Rondzik	CIBC Insurance	
	Peter Thompson	National Bank Insurance	
	Janice Farrell-Jones	TD Insurance	
	Wally Thompson	Manulife Financial	
	Louie Georgakis	Canada Life Assurance	
	Paul Cosgrove	Assurant	
Regrets:	Peter McCarthy	BMO Insurance	
	Kelly Tryon	CUMIS Services Inc.	
EOC Members Present:	Martin Boyle	BMO Insurance	*Board Secretary*
	Rob Dobbins	Assurant	
	John Lewsen	BMO Insurance	
	Andrea Stuska	TD Insurance	
	Peter Thorn	TD Insurance	
	Charles MacLean	RBC Insurance	
	Tony Pergola	ScotiaLife Financial	*Treasurer*
	Brad Kuiper	ScotiaLife Financial	
	Vikram Malik	Sun Life Financial	
Also Present:	Keith Martin	CAFII	*Co-Executive Director*
	Brendan Wycks	CAFII	*Co-Executive Director*
	Natalie Hill	CAFII	*Recording Secretary*

1. Call to Order, Welcome and Confirmation of Meeting

N. Benson welcomed everyone to this Special Purpose Teleconference Meeting of the CAFII Board of Directors and called the meeting to order at 12.05pm. N. Benson thanked all Directors and EOC members for making the time to attend.

N. Benson advised that this Special Meeting had been arranged to allow the Board to deal with several time-sensitive matters, including

- the admission of Sun Life Financial to CAFII Initiation Membership and the appointment of a CAFII Director from Sun Life Financial;
- the appointment of a new CAFII Director from Regular Member Desjardins Financial Security;

- formal approval of a CAFII quarterly benchmarking study on credit protection insurance, so that two decisions related to that initiative which the Board had reached during the *in camera* session at its December 3, 2019 meeting could now be captured in the minutes of the Corporation; and
- approval of a CAFII 2020 Operating Budget.

1.1. Confirmation of Quorum
M. Boyle confirmed that notice of this meeting had been sent to all Directors in accordance with the Association's By-law, and also confirmed that a quorum of Directors was present, as there were nine (9) of the current eleven (11) CAFII Directors on the phone.

1.2 Approval of Agenda
On a motion duly made, seconded and unanimously carried
IT WAS RESOLVED that the meeting Agenda be and is approved as presented.

2.1. i. Recommended Admission of Sun Life Financial to CAFII Initiation Membership
At N. Benson's request, B. Wycks provided a brief report on Sun Life Financial's application for CAFII Initiation Membership and the CAFII Member Applicant Review Committee's recommendation on the application.

On a motion duly made, seconded and unanimously carried
IT WAS RESOLVED that Sun Life Financial be admitted to CAFII Initiation Membership, and that its two year period for reduced Initiation Member Dues be 2020 and 2021.

2.1.ii. Appointment of a CAFII Director from Sun Life Financial
At N. Benson's request, B. Wycks provided a brief report on Sun Life Financial's nomination of Sophie Ouellet for appointment as its first Director on the CAFII Board.

On a motion duly made, seconded and unanimously carried
IT WAS RESOLVED that Sophie Ouellet, Vice-President, Business Development, Group Benefits at Sun Life Financial be appointed as that new Member's Director on the CAFII Board.

Following a brief pause, Sophie Ouellet from Sun Life Financial then joined this CAFII Board Special Purpose Teleconference Meeting and she was warmly welcomed and congratulated by her fellow CAFII Directors.

2.2. Appointment of a CAFII Director from Desjardins Financial Security
At N. Benson's request, B. Wycks provided a brief report on Desjardins Financial Security's nomination of André Langlois for appointment as its Director on the CAFII Board, succeeding Christian Dufour.

On a motion duly made, seconded and unanimously carried
IT WAS RESOLVED that André Langlois, Senior Vice-President, Life and Health Insurance, at Desjardins Financial Security be appointed as its Director on the CAFII Board, succeeding Christian Dufour.

Following a brief pause, André Langlois, Senior Vice-President, Life and Health Insurance, at Desjardins Financial Security then joined this CAFII Board Special Purpose Teleconference Meeting and he was warmly welcomed and congratulated by her fellow CAFII Directors.

2.3. Formal Approval of CAFII Quarterly Benchmarking Study on Credit Protection Insurance; and Related Actuarial Firm Selection

N. Benson noted that the purpose of this agenda item was to allow the following two decisions which the Board had reached in the *in camera* session of its December 3, 2019 meeting to be officially captured in the minutes of the Corporation:

- to proceed with a CAFII quarterly benchmarking study on credit protection insurance at an initial cost of $60,000 per annum; and
- to select RSM Canada as the winning RFP bidder and to contract with that firm to provide actuarial expertise services to CAFII for the quarterly benchmarking study.

On a motion duly made, seconded and unanimously carried
IT WAS RESOLVED that the CAFII Board of Directors approves the undertaking of a CAFII quarterly benchmarking study on credit protection insurance and, in that connection, authorizes CAFII management to proceed with the launch of such a study at an initial cost of $60,000 per annum.

On a motion duly made, seconded and unanimously carried
IT WAS RESOLVED that the CAFII Board of Directors selects RSM Canada as the winning bidder in the Request for Proposals process related to a CAFII quarterly benchmarking study on credit protection insurance; and that the Board authorizes CAFII management to contract with RSM Canada to provide actuarial expertise services to the Association and its members for that study.

2.4. CAFII 2020 Operating Budget

At N. Benson's request, CAFII Treasurer T. Pergola presented an updated Proposed CAFII 2020 Operating Budget, and highlighted the changes made to an earlier draft of the budget presented at the Board's December 3, 2019 meeting. The revised CAFII 2020 Operating Budget set out three options – No Member Dues Increase (status quo); a three percent (3%) Member Dues Increase; and a five percent (5%) Member Dues Increase – and T. Pergola outlined the implications of each option.

In Board discussion, it was agreed that the insurance policy and regulatory environment that CAFII was dealing with was becoming increasingly complex, and that it was advisable to provide additional revenue in the CAFII budget in anticipation of heightened regulatory and legal activity.

As such, a proposal was made to increase Member Dues by five percent (5%) over 2019 levels. S. Rondzik requested that a new expense line item be added to the 2020 CAFII Operating Budget for unforeseen or unbudgeted expenditures, which the Association may deem it necessary to undertake, related to the insurance policy and regulatory environment.

On a motion duly made, seconded and unanimously carried
IT WAS RESOLVED that the CAFII Board of Directors approves the CAFII 2020 Operating Budget Option which calls for a Members Dues Increase of five percent (5%), as set out in the Budget Options document dated February 10, 2020.

2.5. Presentation Deck for CAFII March 9, 2020 Meeting with FCAC Around CPI Sales Practices and Related Fair Treatment of Consumers Considerations

At N. Benson's request, K. Martin provided an update on preparations for CAFII's upcoming 9 March, 2020 meeting with Financial Consumer Agency of Canada (FCAC) staff executives in Ottawa.

Noting that the focus of that meeting would be a CAFII presentation on *Credit Protection/Authorized Insurance Products Sales Practices and Related Fair Treatment of Customers Considerations*, K. Martin advised that Dog and Pony Studios was working diligently on a draft presentation deck, and a Working Group of EOC members would provide feedback on it. Willis Towers Watson was producing some benchmarking data that was also intended to be incorporated into the presentation deck.

In response to Mr. Martin's update, the Board requested an opportunity to review an advanced, penultimate draft of the presentation deck, and to receive it sufficiently early to permit its being shared with internal legal counsel for review and feedback comments.

2.6. Proposed CAFII Working Group on Credit Card-Embedded Insurance Benefits and Industry Relations with the AMF

At N. Benson's request, K. Martin outlined the rationale behind the EOC's recommendation that a *CAFII Working Group on Credit Card-Embedded Insurance Benefits and Industry Relations With The AMF* be formed.

Mr. Martin noted that a meeting was going to be held in Quebec City the following day, 11 February, 2020, with the AMF on embedded credit card insurance benefits. Following that meeting, consideration would be given to next steps, and the EOC felt that a Working Group could contribute to the advancement of CAFII's further work in this area, he indicated.

The Board endorsed the creation of a *CAFII Working Group on Credit Card-Embedded Insurance Benefits and Industry Relations With The AMF*.

S. Rondzik recommended that any such Working Group should have a plan and strategy as a key component of its mandate. That strategy could include the benefits and risks of escalating, versus trying to find a middle ground with the AMF, it was noted.

2.7. Strategy for CAFII February 11, 2020 Meeting with AMF on RADM's Applicability to Credit Card-Embedded Insurance Benefits

At N. Benson's request, K. Martin highlighted the CAFII-controlled proposed agenda for the February 11/20 meeting with the AMF; the proposed Opening Statement to be delivered partly in French; and related strategy elements.

A thorough Board discussion ensued, from which a consensus emerged that the February 11/20 meeting with the AMF should be approached as a preliminary, exploratory meeting, especially since more senior AMF executives would not be present. It was recommended that CAFII's principal focus for the meeting should be information-gathering, and while our Association's position on this file should be communicated to the AMF, our key objective should be to listen and learn what the AMF's position is.

3. Meeting Termination

On a motion duly made, seconded and unanimously carried

IT WAS RESOLVED that this Special Purpose Teleconference Meeting of the CAFII Board of Directors be terminated at 1:05 p.m.

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CAFII Executive Operations Committee Teleconference-Only Meeting
Tuesday, 25 February 2020
Summary Notes

EOC Present:
Martin Boyle, BMO Insurance *Chair*
Tony Pergola, ScotiaLife Financial *Treasurer*
Isabelle Choquette, Desjardins Financial Security
Dana Easthope, Canadian Premier Life Insurance
Moira Gill, TD Insurance
Monika Spudas, Manulife Financial
Sharon Apt, Canada Life Assurance
Charles Blaquiere, valeyo
John Lewsen, BMO Insurance
Aneta Murphy, ScotiaLife Financial
Scott Kirby, TD Insurance
Michelle Costello, CUMIS Services Inc.
Pete Thorn, TD Insurance
Brad Kuiper, ScotiaLife Financial
Kamana Tripathi, TD Insurance
Vikram Malik, Sun Life Financial
Emily Brown, Sun Life Financial
Rob Dobbins, Assurant
Karyn Kasperski, RBC Insurance
Andrea Stuska, TD Insurance
Vivek Sahni, RBC Insurance
Joanna Onia, CIBC Insurance
Afzal Baig, TD Insurance
Penelope Cordogiannis, RBC Insurance

Also Present:
Natalie Hill, Managing Matters *Recording Secretary*
K. Martin, CAFII *Co-Executive Director*
B. Wycks, CAFII *Co-Executive Director*

1.Call to Order
The meeting was called to order at 2:32 p.m.; M. Boyle acted as Chair; N. Hill acted as Recording Secretary.

2. Consent Items
A series of consent items were received for the record by the EOC without further discussion. Those consent items were Consultations/Submissions Timetable; Regulator and Policy-Maker Visit Plan; CAFII Submission to FCNB On Restricted Insurance Licensing Regime Consultation; CAFII Submission To FSRA On Proposed Guidance Framework Consultation.

3a.Draft Minutes of January 21/20 EOC Meeting
The EOC approved the minutes of the 21 January, 2020 EOC meeting.

3b.Summary of Board and EOC Action Items
B. Wycks provided an overview of Board and EOC Action Items, which included preparing a revised options document regarding a 2020 CAFII Atlantic Canada Insurance Regulators and Policy-Makers Visits Tour; the launch of a CAFII EOC Working Group to explore a new lower dues category of CAFII membership, via a first meeting and a draft Terms of Reference for this Working Group, which Martin Boyle, Diane Quigley, and Joanna Onia have agreed to sit on; developing a summary job description for the CAFII EOC Chair role and circulating it to EOC Members; and developing a document on the process for reviewing, approving, and admitting CAFII Initiation Membership and Associate applicants.

3c.Board-Approved Decisions Reached in February 10/2020 Special Purpose Teleconference Meeting
B. Wycks noted that a special purpose CAFII Board teleconference meeting was held on 10 February, 2020 to gain approval for several pressing matters, as well as to have formal motions for some decisions that were made in the Board's December 3/19 *in camera* session, which had not to date been captured in Board minutes.

B. Wycks highlighted that in its 10 February, 2020 meeting, the Board approved the application of Sun Life Financial as a new CAFII Initiation Member; approved the appointment of Sophie Ouellet as the first Board member from Sun Life Financial; approved the appointment of André Langlois as the new Board member from Desjardins Financial Security; passed a motion approving CAFII's launch of a quarterly credit protection insurance benchmarking study; and passed a motion awarding an actuarial services contract related to the quarterly CPI benchmarking study to RSM Canada. The Board also discussed three options for the 2020 CAFII Operating Budget, namely no Member dues increase, a 3% Member dues increase, or a 5% Member dues increase; and based on the heightened amount of regulatory activity that CAFII is facing, the Board approved a 5% Member dues increase.

3d.New CAFII Initiation Member Prospects
B. Wycks reported that CAFII's Co-Executive Directors had a meeting with Michael Swanick, a staff executive at Duo Bank, which is the former Walmart Bank. Mr. Swanick expressed a real interest in Duo Bank joining CAFII as an Initiation Member, but subsequently we have not heard further from him. In a follow up email, Mr. Swanick noted that Duo Bank had been very busy of late working on its recently announced acquisition of One Main Solutions (the former CitiFinancial bank network in Canada), but now that that had occurred, he would restart internal discussions on the prospect of Duo Bank applying for CAFII Initiation Membership.

3e.New CAFII Associate Prospects
B. Wycks reported that CAFII is confident that it will land at least two new Associates from four organizations that are prospects—Stikeman Elliott; Norton Rose Fulbright; RSA Canada; and Dog and Pony Studios.

3f.Launch of EOC Working Group to Explore a New Lower Dues Category of Membership
B. Wycks noted that this item had been reviewed earlier in the agenda. M. Boyle suggested that the time to move forward with this initiative was ripe, and asked for an initial meeting of the Working Group as soon as possible.

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4a. Financial Statements as at January 31/20 (including Board-Approved CAFII 2020 Operating Budget)
CAFII Treasurer T. Pergola presented an overview of CAFII's financial statements as at January 31/20, noting that with a 5% Member dues increase, the Association's financial reserves ratio should improve. Mr. Pergola noted that monies from the Special Project Fund had been used to pay the legal bills for the work done by Norton Rose Fulbright; and, as a result, the Special Project Fund largely used up.

4b. Timelines for KPMG Audit of CAFII 2019 Fiscal Year Financial Statements
B. Wycks provided an overview of the timelines for the KPMG audit of CAFII's 2019 fiscal year financial statements, noting that we were ahead of schedule and should meet all the required target dates.

5a(i-iv) CAFII Engagement with AMF On RADM's Applicability to Credit Card-Embedded Insurance Benefits
K. Martin noted that CAFII had distributed a detailed note on the 11 February, 2020 meeting with the AMF in Quebec City on embedded credit card insurance benefits and the Regulation respecting Alternative Distribution Methods (RADM), and that the key learning was that the AMF did feel that these products were subject to the Regulation. Furthermore, in an email sent to CAFII on 21 February, 2020, Mario Beaudoin of the AMF asked CAFII to provide solutions, by 27 March, 2020, with respect to bringing these product lines into conformity with the RADM.

A thorough EOC discussion ensued. There was a consensus that the legal arguments document that CAFII had developed should be shared with Marc Duquette of Norton Rose Fulbright, with a request for him to offer his legal counsel on the strength of the arguments; to develop any further arguments; and to provide us with his advice on the options available to us, including the advisability of sending our legal arguments in writing to the AMF, or alternatively to seek an in-person meeting with the AMF on our legal position. He should also be asked to provide his view on the options available to CAFII in the event that those legal arguments were rejected by the AMF.

However, while there was agreement that CAFII should ask for the legal opinion of Norton Rose Fulbright, there was also a view expressed that, in parallel with that effort, CAFII should strike a Working Group to look at ways in which the industry might be able to meet the AMF half way, and respond to the AMF's offer for the industry to find creative solutions for conforming credit card-embedded insurance benefits with the RADM. Not all members were persuaded that this was possible, on the basis that the AMF position is fundamentally flawed, but there was a view expressed that exploring that possibility could do no harm, and that the AMF had offered "an olive branch" to industry and we should, at a minimum, explore the opportunity to try to meet the AMF's expectations in this regard.

In the end, the EOC agreed that we should pursue a "two-pronged approach" of both engaging Norton Rose Fulbright for its legal opinion, while also launching a Working Group to explore ways to conform credit card-embedded insurance benefits with the RADM. It was noted that Scott Kirby had volunteered to be the Chair of this Working Group, and the EOC supported his taking on that role.

There was also agreement that while the CAFII Board needed to be engaged on this issue, it was preferable to wait until we had received both the views of Norton Rose Fulbright, and made some progress on the Working Group effort, before calling a Special Purpose Board Teleconference Meeting.

It was also agreed that the AMF's 27 March, 2020 deadline for CAFII to submit "creative industry solutions" was too tight, and CAFII management was asked to reach out to the AMF and request an extension.

Some members of the EOC suggested that the Canadian Bankers Association and Canadian Life and Health Insurance Association should be engaged in any interventions with the AMF. CAFII management noted that we had reached out to both of these allied industry Associations, and the CBA did not appear willing to allocate any time, attention, or resources to this AMF issue; and the CLHIA appeared to be waiting to see what action CAFII planned to take before committing to becoming engaged on the issue. However, it was agreed that CAFII should keep the lines of communication open with CBA and CLHIA. M. Gill noted that involving the CBA in a matter with the AMF had to be done with great care, to avoid the slippery slope of allowing jurisdictional rivalry considerations to arise.

5b. AMF December 20/19 Communiqué Re: Operational Incident Reporting
M. Boyle updated the EOC on some modifications that had recently been made by the AMF to its requirements for operational incident reporting, adjustments which appeared to address some of the concerns which CAFII members had about the regulator's requirements.

5c. AMF Review of Critical Illness Insurance
M. Boyle updated the EOC on the AMF's review of critical illness insurance and it was determined that this matter was now concluded and should be removed from future EOC meeting agendas.

5d. April 7/20 CAFII Informal Lunch With AMF Staff Executives, Industry Issues Dialogue, and CAFII Board Meeting in Levis, Quebec
B. Wycks updated the EOC on plans for an informal liaison lunch and Industry Issues Dialogue session with AMF staff executives, which would take place on 7 April, 2020 at the offices of Desjardins Financial Security in Levis, Quebec.

5e. CAFII March 5/20 Meeting With CCIR/CISRO's FTCWG, For Which An Association-Level Deck/Submission On "Incentives and Compensation Models Currently In Market" Has Been Requested
B. Wycks reported that arising out of a concern that the CCIR/CISRO Fair Treatment of Consumers Working Group's request for a CAFII submission on incentives and compensation models used by our members in the market could result in data sharing that would be in violation of the Competition Act, and an opinion on this was secured from Stikeman Elliott. The opinion received from CAFII's legal advisors was that the regulators' request was potentially problematic, although they suggested some practical ways to minimize this risk. It was also noted that the CLHIA had also expressed a similar concern to the CCIR/CISRO FTCWG. CAFII has shared its concerns with CCIR Policy Manager Tony Toy, and we are working with him on restructuring the agenda for the upcoming CAFII stakeholder meeting on 5 March, 2020, given that a CAFII submission on incentives and compensation models will not be provided for that meeting.

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5f. CAFII March 9/20 Presentation Meeting With FCAC On Credit Protection Insurance Sales Practices and Fair Treatment of Customers Considerations: Confirmation of Details

K. Martin provided an update on Dog and Pony Studios' preparation of CAFII's presentation deck for the its upcoming meeting with FCAC staff executives on 9 March, 2020. Dog and Pony Studios had received considerable feedback from the CAFII Working Group reviewing the deck, and had made significant changes which had much improved the presentation. Benchmarking data was also being prepared by actuarial firm Willis Towers Watson, and that material would be incorporated into the deck as appropriate.

5g. Launch Of CAFII Quarterly Credit Protection Insurance Benchmarking Study

K. Martin reported that RSM Canada was working with CAFII members on the development of the first report to be produced by CAFII's new credit protection insurance quarterly benchmarking study. The proposed solution for the transference of data to RSM Canada was not acceptable to all participants, and so a new method was being developed. While this will slightly delay the first report from the study, after all these initial issues are sorted out future versions should face far fewer obstacles.

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Agenda Item 3(c)
March 24/20 EOC Teleconference Meeting

From: Keith Martin <Keith.Martin@cafii.com>
Sent: March-13-20 9:49 AM
To: Brendan Wycks <brendan.wycks@cafii.com>; Natalie Hill <Natalie.Hill@cafii.com>
Cc: Felicia Tavares <Felicia@cafii.com>
Subject: Cancelling 7 April, 2020 In-Person Board Meeting

Brendan, I have now heard from a majority of the Board and there is unanimous support for cancelling the 7 April, 2020 in-person Board meeting and converting it to a teleconference-only meeting. Here is the sequence that I propose in response:

1. I will write, copy Brendan and Natalie, a note of thanks to Andre re: 7 April, 2020; let him know that we need to cancel; tell him that Natalie will follow up about holding the meeting there on 6 October, 2020.
2. Natalie to write a note to the Board, CC EOC and Surrogates, informing them that we are cancelling the in-person meeting and turning it into a teleconference-only meeting; and appropriately updating the calendar invite. Note: teleconference numbers needed, ZOOM is not needed. **Brendan: please advise the time we should allocate, perhaps 2-4.30pm? As we are no longer holding the lunch and the shortened meeting is no longer necessary.**
3. Brendan to reach out to the AMF to explain the need to cancel our lunch/liaison session, and to ask them to set aside time on 6 October, 2020 in Quebec City.
4. Natalie to reach out to Desjardins contact to begin preparations for 6 October, 2020 meeting in Quebec.

Thanks

--Keith

Keith Martin
Co-Executive Director / Co-Directeur général
Canadian Association of Financial Institutions in Insurance
L'association canadienne des institutions financières en assurance

From: Keith Martin <Keith.Martin@cafii.com>
Sent: March-12-20 4:15 PM
To: Nicole Benson <nicole.benson@valeyo.com>; Chris Lobbezoo <chris.lobbezoo@rbc.com>; Paul Cosgrove <paul.cosgrove@assurant.com>; Andre Langlois <andre.langlois@dsf.ca>; Louie Georgakis <louie_Georgakis@canadalife.com>; Janice Farell-Jones <janice.farrelljones@td.com>; Zack Fuerstenberg <zack.fuerstenberg@scotiabank.com>; Peter McCarthy <peter.mccarthy@bmo.com>; sandra Rondzik <sandra.rondzik@cibc.com>; Peter Thompson <Peter.Thompson@bnc.ca>; Wallace Thompson <wallace_thompson@manulife.com>; kelly Tryon <kelly.tryon@cumis.com>; Sophie Oulette <sophie.ouellet@sunlife.com>

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Subject: Recommendation from CAFII that the 7 April, 2020 Quebec City In-Person Board Meeting and AMF Liaison Session be Cancelled due to COVID-19 Situation

Dear CAFII Board of Directors (copy EOC Members and Board Surrogates):

Yesterday morning, Brendan and I recommended cancelling the 26 March, 2020 Annual Members Luncheon due to the developments around COVID-19, which the Board supported and which has subsequently happened.

We said that we would monitor the situation carefully and follow up early next week with respect to the **7 April, 2020 Quebec City in-person Board meeting and AMF liaison session.**

Brendan and I have just conferred on this issue and the developments of the last day alone suggest to us that there is no need to wait further, and **we recommend to the Board that the <u>in-person</u> Board meeting and AMF liaison session be cancelled.** We will attempt to reschedule a Board meeting in Quebec (Montreal or Quebec City) for the 6 October, 2020 Board meeting, and have the liaison lunch and session with the AMF on that date.

For clarity, we recommend that the 7 April, 2020 Board meeting can still proceed, but as a teleconference meeting only.

Cancelling now will allow us to share this information without further delay with the AMF.

Please confirm if you agree with this recommendation.

<u>**RECOMMENDATION TO CANCEL THE IN-PERSON 7 APRIL, 2020 BOARD MEETING IN QUEBEC CITY, ALONG WITH THE LIAISON MEETING WITH THE AMF**</u>

Agree ______________

Disagree ______________

Keith Martin
Co-Executive Director / Co-Directeur général
Canadian Association of Financial Institutions in Insurance
L'association canadienne des institutions financières en assurance

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Agenda Item 3(d)

March 24/20 EOC Teleconference Meeting

From: Pérodeau Frédéric <Frederic.Perodeau@lautorite.qc.ca>
Sent: March-13-20 6:59 PM
To: Keith Martin <Keith.Martin@cafii.com>
Cc: Sirois Nathalie <nathalie.sirois@lautorite.qc.ca>; Gauthier Louise <Louise.Gauthier@lautorite.qc.ca>; Déry Patrick <Patrick.Dery@lautorite.qc.ca>; Lebel Philippe <Philippe.Lebel@lautorite.qc.ca>; Brendan Wycks <brendan.wycks@cafii.com>; Natalie Hill <Natalie.Hill@cafii.com>; Beaulieu Nicole <Nicole.Beaulieu@lautorite.qc.ca>
Subject: Re: Cancellation of 7 April, 2020 CAFII Liaison Lunch and Board Meeting with the AMF in Quebec City due to COVID-19 Related Travel and Meeting Prohibitions

Thank you very much Keith for your e-mail. We fully understand the situation under the current circumstances. Nicole (copied) will follow up for you to confirm date and location of our next in-person meeting. Do not hesitate to contact me in the meantime should you want to further discuss.

Best regards,

Frédéric

Frédéric Pérodeau, LL.B., B.Sc., JEA.C
Surintendant de l'assistance aux clientèles et de l'encadrement de la distribution
Autorité des marchés financiers

Le 13 mars 2020 à 14:13, Keith Martin <Keith.Martin@cafii.com> a écrit :

Bonjour, Frédéric,

It is with great regret that CAFII has determined that it must cancel the 7 April, 2020 in-person meeting with the AMF in Quebec City, at which we were going to have an informal lunch followed by a liaison meeting to discuss issues of mutual interest.

Our members are responding to company-wide Human Resources-mandated travel restrictions and meeting prohibitions in connection to COVID-19 developments, and the CAFII Board has concluded that it is not possible to hold this meeting at this time.

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We have another Board meeting, Frédéric, on **Tuesday, 6 October, 2020**, which we could hold in Montreal or Quebec City, and we hope that it might be possible to hold our informal lunch and liaison meeting with the AMF at that time. We will follow up with you separately about that possibility.

Meanwhile, please accept my sincere apologies about this cancellation, and I would like to emphasize that we are only doing so because we see no alternative in the current circumstances.

With respect,

--Keith

Keith Martin

Co-Executive Director / Co-Directeur général

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Agenda Item 3(e)
March 24/20 EOC Meeting

CAFII 2020 Annual Meeting of Members

- To be held on Tuesday June 9, 2020

- Notice of Meeting and Meeting Materials Package to be disseminated between 60 and 21 days prior to the meeting

- Notice of Meeting and Meeting Materials Package to include:
    - Agenda
    - Minutes from 2019 Annual Meeting of Members
    - Proxy form for those Member representatives who will be unable to attend the 2020 Annual Meeting of Members in-person
    - CAFII 2019 Audited Financial Statements
    - Agenda will include approval of CAFII 2019 Audited Financial Statements; Appointment of Auditor for 2020 fiscal year; Appointment of Board of Directors for CAFII 2020-21 governance year; and Other Business

- If the Covid-19 crisis persists, CAFII's 2020 Annual Meeting of Members may be held as a virtual/electronic-only meeting

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Statement of Operations
As at Feb 29, 2020

	Current Month	Budget Feb-20	Variance to Monthly Budget	Current YTD	Budget '20 YTD	Variance Budget to YTD	Budget 2020
Revenue							
Membership Dues	$72,526	$75,727	($3,200)	$148,253	$151,453	($3,200)	$908,720
Luncheon Revenue	$0	$0	$0	$0	$0	$0	$0
Interest Revenue	$66	$17	$50	$137	$33	$104	$200
TOTAL REVENUE	**$72,592**	**$75,743**	**($3,151)**	**$148,390**	**$151,487**	**($3,096)**	**$908,920**
Expenses							
Management Fees	$41,954	$39,582	($2,372)	$82,601	$79,165	($3,436)	$474,989
CAFII Legal Fees/Corporate Governan	$0	$5,000	$5,000	$0	$5,000	$5,000	$20,000
Audit Fees	$1,271	$1,271	($0)	$2,542	$2,541	($1)	$15,247
Insurance	$449	$458	$9	$898	$916	$19	$5,500
Website Ongoing Maintenance	$294	$458	$165	$752	$917	$165	$5,500
Telephone/Fax/Internet	$251	$483	$232	$1,022	$967	($55)	$5,800
Postage/Courier	$0	$21	$21	$0	$42	$42	$250
Office Expenses	$247	$167	($80)	$402	$333	($68)	$2,000
Bank Charges	$0	$16	$16	$87	$32	($55)	$190
Miscellaneous Expenses	$0	$42	$42	$0	$84	$84	$500
Depreciation Computer/Office Equipm	$95	$100	$5	$189	$200	$11	$1,200
Board/EOC/AGM							
Annual Members Lunch	$0	$0	$0	$0	$0	$0	$12,400
Board Hosting (External)	$0	$0	$0	$0	$0	$0	$22,500
Board/EOC/Meeting Expenses	$1,580	$3,292	$1,712	$2,411	$6,583	$4,172	$39,500
Industry Events	$0	$0	$0	$0	$0	$0	$1,300
EOC Annual Appreciation Dinner	$0	$0	$0	$4,244	$4,244	$0	$4,244
Sub Total Board/EOC/AGM	***1,580***	***3,292***	***1,712***	***6,655***	***10,827***	***4,172***	***79,944***
Provincial Regulatory Visits	$748	$0	($748)	$748	$0	($748)	$12,875
Research/Studies	$0	$5,000	$5,000	$0	$10,000	$10,000	$60,000
Website SEO and Enhancements	$342	$3,496	$3,154	$489	$6,992	$6,503	$41,950
Regulatory Model(s)	$0	$0	$0	$0	$0	$0	$15,000
Federal Financial Reform	$0	$625	$625	$0	$1,250	$1,250	$7,500
CAFII Benchmarking Study/RSM Canada	$0	$5,650	$5,650	$0	$11,300	$11,300	$67,800
FCAC Presentation	$0	$1,883	$1,883	$0	$3,767	$3,767	$22,600
Media Outreach	$2,260	$3,008	$748	$4,520	$6,017	$1,497	$36,100
Marketing Collateral	$0	$1,000	$1,000	$3,955	$1,000	($2,955)	$5,000
CAFII Reception Events	$0	$0	$0	$0	$0	$0	$900
Speaker fees & travel	$0	$0	$0	$0	$0	$0	$2,000
Gifts	$0	$0	$0	$0	$0	$0	$500
Networking Events	$0	$0	$0	$0	$0	$0	$500
Sub Total Networking & Events	-	-	-	-	-	-	***3,000***
TOTAL EXPENSE	**49,490**	**71,552**	**22,062**	**104,859**	**141,348**	**36,489**	**883,845**
NET INCOME	**23,103**	**4,191**	**18,911**	**43,531**	**10,138**	**33,393**	**25,075**

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

CAFII

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Balance Sheet
As at Feb 29, 2020

	CAFII Operations			CCBPI Project			Combined		
ASSETS	**29-Feb 2019**	**31-Jan 2019**	**31-Dec 2019**	**29-Feb 2019**	**31-Jan 2019**	**31-Dec 2019**	**29-Feb 2019**	**31-Jan 2019**	**31-Dec 2019**
Current Assets									
Bank Balance	$51,949	$193,458	$251,549	$0	$0	$0	$51,949	$193,458	$251,549
Savings Account	$102,016	$101,949	$101,879	$12,151	$12,151	$12,151	$114,167	$114,100	$114,030
Accounts Receivable	$461,562	$0	$0	$0	$0	$0	$461,562	$0	$0
Prepaid Expenses	$9,198	1,795	3,251	$0	$0	$0	$9,198	$1,795	$3,251
Computer/Office Equipment	$8,014	$8,014	$8,014	$0	$0	$0	$8,014	$8,014	$8,014
Accumulated Depreciation -Comp/Equp	($5,931)	($5,836)	($5,742)	$0	$0	$0	($5,931)	($5,836)	($5,742)
Total Current Assets	**$626,807**	**$299,379**	**$358,951**	**$12,151**	**$12,151**	**$12,151**	**$638,958**	**$311,530**	**$371,102**
TOTAL ASSETS	**$626,807**	**$299,379**	**$358,951**	**$12,151**	**$12,151**	**$12,151**	**$638,958**	**$311,530**	**$371,102**
LIABILITIES									
Current Liabilities									
Accrued Liabilities	$17,142	$108,405	$115,891	$0	$0	$0	$17,142	$108,405	$115,891
Credit Card	$2,746	$288	$1,223	$0	$0	$0	$2,746	$288	$1,223
Account Payable	$19,856	$15,761	$11,613	$0	$0	$0	$19,856	$15,761	$11,613
Deferred Revenue	$313,309	($75,727)	$0	$12,151	$12,151	$12,151	$325,460	($63,576)	$12,151
Total Current liabilities	$353,052	$48,727	$128,727	$12,151	$12,151	$12,151	$365,204	$60,879	$140,879
TOTAL LIABILITIES	**$353,052**	**$48,727**	**$128,727**	**$12,151**	**$12,151**	**$12,151**	**$365,204**	**$60,879**	**$140,879**
UNRESTRICTED NET ASSETS									
Unrestricted Net Assets, beginning of year	$230,223	$230,223	$271,190	$0	$0	$0	$230,223	$230,223	$271,190
Excess of revenue over expenses	$43,531	$20,429	($40,967)	$0	$0	$0	$43,531	$20,429	($40,967)
Total Unrestricted Net Assets	$273,754	$250,652	$230,223	$0	$0	$0	$273,754	$250,652	$230,223
Total Unrestricted Net Assets	**$273,754**	**$250,652**	**$230,223**	**$0**	**$0**	**$0**	**$273,754**	**$250,652**	**$230,223**
TOTAL LIABILITIES AND UNRESTRICTED	**$626,807**	**$299,379**	**$358,950**	**$12,151**	**$12,151**	**$12,151**	**$638,958**	**$311,531**	**$371,102**

Financial Reserves Targets as per 2019 Budget:	
Minimum 3 months (25%) of Annual Operating Expenses=	**$ 220,961**
Maximum 6 months (50%) of Annual Operating Expenses=	**$ 441,923**
Current Level of Financial Reserves (total unrestricted net assets)**:**	**$273,754**
Current Level of Financials Reserve (%):	**31%**

CCBPI initiative

1) Invoice paid to Stikeman Elliott on 19th December 2019 for Consulting Services incurred to date (31 October 2019) for $92,113.81 ($81,516.65 plus HST).
2) Invoice to be paid to Norton Rose Fulbright in Feb 2020 for Consulting Services incurred to date (30 November 2019) for $85,226.13 ($75,421.35 plus HST).
3) Invoice to be paid to Norton Rose Fulbright in Feb-Mar 2020 for Consulting Services incurred to date (31 December 2019) for $15,765.82 ($13,952.05 plus HST).

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Membership Fees

		Feb-20		Feb-20	
		To be billed	*Received*	*To be billed*	*Received*
BMO Bank of Montreal	2020 Upper Tier Member	$ 38,555		$ 38,555	
CIBC Insurance	2020 Upper Tier Member	$ 38,555		$ 38,555	
RBC Insurance	2020 Upper Tier Member	$ 38,555		$ 38,555	
ScotiaLife Financial	2020 Upper Tier Member	$ 38,555	2-Mar-20	$ 38,555	
TD Insurance	2020 Upper Tier Member	$ 38,555		$ 38,555	
Desjardins Financial Security Life Assurance Company	2020 Upper Tier Member	$ 38,555		$ 38,555	
National Bank Life Insurance Company	2020 Upper Tier Member	$ 38,555	2-Mar-20	$ 38,555	
Manulife Financial	2020 Upper Tier Member	$ 38,555	6-Mar-20	$ 38,555	
The Canada Life Assurance Company	2020 Upper Tier Member	$ 38,555		$ 38,555	
Assurant Solutions	2020 Lower Tier Member	$ 19,277	2-Mar-20	$ 19,277	
Canadian Premier Life Insurance Company	2020 Lower Tier Member	$ 19,277	2-Mar-20	$ 19,277	
Cumis Group Ltd/Co-operators Life Insurance Co.	2020 Lower Tier Member	$ 19,277		$ 19,277	
Sun Life Financial	2020 Initiation Members (Upper Tier)	$ 23,133		$ 23,133	
RSM Canada	Associate	$ 4,800			
Willis Towers Watson	Associate	$ 4,800			
KPMG MSLP	Associate	$ 4,800			
Munich Reinsuranace Company Canada Branch (Life)	Associate	$ -			
Optima Communications	Associate	$ 4,800	3-Mar-20		
RGA Life Reinsurance Company of Canada	Associate	$ 4,800	3-Mar-20		
Torys LLP	Associate	$ 4,800	6-Mar-20		
PWC	Associate				
RankHigher.ca	Associate	$ 4,800			
TBC	Associate	$ -			
TBC	Associate	$ -			
Feb Invoices		**$461,560**		**$427,960**	
July Invoices		**$427,960**			
Total Membership Fees		**$889,520**			
Total amount to realocate monthly Jan-Sept		**$74,127**			
Total amount to realocate monthly Oct-Dec		**$74,127**			

2020 CAFII Budget

	2016 Actual	2017 Actuals	2018 Actuals	2019 Actuals	2020 Budget	2020 YTD Feb-2020	2020 Revised Forecast	Comment/Rationale
Revenue								
Membership Dues	$435,750	$475,425	$695,545	$734,664	$908,720	$148,253	$899,120	See breakdown in Member Dues Revenue Tab
Luncheon 2019	$231	$126	$0	$195	$0	$0	$0	Additional Attendees at Luncheon
Interest	$231	$126	$0	$982	$200	$137	$400	Interest from the Savings Account
TOTAL REVENUE	$ 436,212	$ 475,677	$ 695,545	$ 735,841	$ 908,920	$ 148,390	$ 899,520	
EXPENSE								
Management Fees	$279,042	$442,012	$460,299	$465,134	$474,989	$82,601	$484,027	Includes MM Fees (2.5% contractual increase) and two Co-Eds (2.5% increase each)
CAFII Legal Fees/Corporate Governance	$10,565	$2,954	$563	$0	$20,000	$0	$20,000	Legal Fees increased from $10K to $20K to reflect the estimated spend of $10K in February 2020 for Norton Rose to offer a legal opinion around imbedded credit card coverages re: the AMF; Legal Fees contingency for provincial and/or federal regulatory matters (see note 3).
Audit Fees	$13,560	$14,271	$14,432	$14,799	$15,247	$2,542	$15,247	3% increase over 2019 Revised Forecast
Insurance	$5,238	$5,238	$5,258	$5,338	$5,500	$898	$5,500	Same as 2019 Budget
Website Ongoing Maintenance	$13,060	$42,575	$6,461	$10,022	$5,500	$752	$5,500	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	$6,494	$5,800	$1,022	$5,800	Same as 2019 Budget
Postage/Courier	$180	$380	$458	$159	$250	$0	$250	2019 Revised Forecast plus $50 contingency
Office Expenses	$5,257	$1,312	$2,423	$2,025	$2,000	$402	$2,000	Same as 2019 Budget
Bank Charges	$25	$38	$23	$112	$190	$87	$190	Same as 2019 Actual plus Annual Fee for CAFII TD Visa credit card
Depreciation Computer/Office Equipment	$467	$1,564	$1,136	$1,136	$1,200	$189	$1,200	Same as 2019 Budget
Miscellaneous Expense		$433	$0	$0	$500	$0	$500	Same as 2019 Budget
Board/EOC/AGM								
Annual Members Luncheon	$12,044	$10,247	$10,503	$12,052	$12,400	$0	$12,400	3% increase over 2019 Revised Forecast
Board Hosting (External)	$19,407	$7,500	$19,515	$14,001	$22,500	$0	$22,500	Three Board Meetings/Receptions at $7,500 each
Board/EOC Meeting Expenses	$8,145	$25,493	$20,715	$35,419	$39,500	$2,411	$39,500	3% increase over 2019 Revised Forecast
Industry Events		$36	$1,270	$0	$1,300	$0	$1,300	CAFII Purchase of full table of 11 seats at one Economic Club of Canada Luncheon
EOC Annual Appreciation Dinner	$2,079	$8	$763	$2,193	$4,244	$4,244	$4,244	3% increase over 2019 Revised Forecast
Total Board/EOC/AGM	**$41,675**	**$43,284**	**$52,766**	**$63,665**	**$79,944**	**$6,655**	**$79,944**	
Provincial Regulatory Visits and Relationship-Building	$10,395	$11,011	$11,230	$16,833	$12,875	$748	$12,875	3% increase over 2019 Revised Forecast
Research/Studies	$1,356	$17,807	$77,345	$5,368	$60,000	$0	$60,000	Same amount as originally budgeted for 2019 before decision to scale back Research due to loss of Amex Bank of Canada as a Member
Website SEO and Enhancements			$21,702	$40,914	$41,950	$489	$41,950	3% increase over 2019 Revised Forecast
Regulatory Model(s)	$0	$15,001	$6,490	$7,555	$15,000	$0	$15,000	Same as 2019 Revised Forecast plus $5,000 Contingency
Federal Regulatory Visits and Relationship-Building	$0	$0	$0	$442	$7,500	$0	$7,500	Significant increase due to anticipated increased interaction with FCAC in 2020
CAFII Benchmarking Study/RSM Canada	$0	$0	$0	$0	$67,800	$0	$67,800	New Line - CAFII Benchmarking Study/RSM Canada estimated at $60K plus HST. The expense related to CAFII Benchmarking Study/RSM Canada could be found from this line item in the first year, or this $60K research fund could be reduced to offset the cost of the benchmarking study.
FCAC Presentation	$0	$0	$0	$0	$22,600	$0	$22,600	New Line - FCAC Presentation estimated at $20k plus HST - $10K plus HST for Dog and Pony; $10K plus HST for WTW Benchmarking Data.
Media Outreach	$27,408	$44,023	$38,522	$32,803	$36,100	$4,520	$36,100	3% increase over 2019 Budget
Marketing Collateral	$1,781	$0	$557	$1,629	$5,000	$3,955	$5,000	Same as 2019 Budget
Tactical Communications Strategy	$446	$379	$0	$0	$0	$0	$0	covered under Media Outreach
CAFII Reception Events	$0	$500	$0	$0	$900	$0	$900	Incidental expenses related to hosting of three CAFII Receptions in Toronto
Media Relations	$0	$164	$0	$0	$0	$0	$0	covered under Media Outreach
Speaker fees & travel	$0	$0	$191	$1,189	$2,000	$0	$2,000	Same as 2019 Budget
Gifts	$221	$452	$0	$200	$500	$0	$500	Same as 2019 Budget
CAFII 25th Anniversary Celebration	$0	$26,495	$0	$0	$0	$0	$0	Deferred to 2022
Networking Events	$0	$350	$0	$0	$500	$0	$500	Same as 2019 Budget
TOTAL EXPENSE	$ 414,214	$ 675,862	$ 705,793	$ 675,816	$ 883,845	$ 104,859	$ 892,883	
Excess of Revenue over Expenses	**$21,998**	**($200,185)**	**($10,248)**	**$60,025**	**$25,075**	**$43,531**	**$6,637**	
Unrestricted Net Assets (beginning of year)	**$358,991**	**$380,758**	**$180,447**	**$170,198**	**$230,223**	**$230,223**	**$230,223**	
Unrestricted Net Assets (end of year)	**$380,989**	**$180,573**	**$170,198**	**$230,223**	**$255,298**	**$273,754**	**$236,860**	

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

(3) $45,000 Legal Expense for Marc Dequette/Norton Rose Fulbright to complete legal opinion re: AMF Spousal Coverage Issue. Alternative for paying for legal opinion is to use the remaining funds from the CCPBI Special Project Fund

Actual/Forecasted Financial Reserves	2016 Actual	2017 Actuals	2018 Actuals	2019 Actuals	2020 Budget	2020 Revised Forecast
Minimum 3 months (25%) of Annual Operating Expenses =	$103,554	$168,965	$176,448	$168,954	$220,961	$223,221
Maximum 6 months (50%) of Annual Operating Expenses =	$207,107	$337,931	$352,897	$337,908	$441,923	$446,442
Actual/Forecasted Level of Financial Reserves:	$380,758	$180,573	$170,198	$230,223	$255,298	$236,860
Actual/Forecasted Level of Financial Reserves %:	92%	27%	24%	34%	29%	27%

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	8.5	40,800.00
			734,664.00

2020 Operational Budget - Member Dues Breakdown - 5% Dues Increase

2020 Member Dues Breakdown

Upper Tier Member	77,110	9	693,989.10	
Lower Tier Member	38,555	3	115,664.85	
Initiation Members (Upper Tier)	46,266	1	46,265.94	40% Dues Discount on Upper Tier Membership
Initiation Members (Lower Tier)	23,133	0	0.00	40% Dues Discount on Lower Tier Membership
Associate	4,800	11	52,800.00	
			908,719.89	

2020 Upper Tier Member

1 BMO Bank of Montreal
2 CIBC Insurance
3 RBC Insurance
4 ScotiaLife Financial
5 TD Insurance
6 Desjardins Financial Security Life Assurance Company
7 National Bank Life Insurance Company
8 Manulife Financial
9 The Canada Life Assurance Company

2020 Lower Tier Member

1 Assurant Solutions
2 Canadian Premier Life Insurance Company
3 Cumis Group Ltd/Co-operators Life Insurance Co.

2020 Initiation Members (Upper Tier)

1 Sun Life Financial

2020 Associate

1 RSM Canada
2 Willis Towers Watson
3 KPMG MSLP
4 Munich Reinsuranace Company Canada Branch (Life)
5 Optima Communications
6 RGA Life Reinsurance Company of Canada
7 Torys LLP
8 PWC
9 RankHigher.ca
10 *TBC
11 *TBC

*Associate Candidates - Stikeman Elliott, Norton Rose, Deloitte, Dog and Pony - To be confirmed

2020 Operational Budget - Member Dues Breakdown - 5% Dues Increase

2020 Member Dues Breakdown

Upper Tier Member	77,110	9	693,989.10
Lower Tier Member	38,555	3	115,664.85
Initiation Members (Upper Tier)	46,266	1	46,265.94
Initiation Members (Lower Tier)	23,133	0	0.00
Associate	4,800	9	43,200.00
			899,119.89

2020 Upper Tier Member

1 BMO Bank of Montreal
2 CIBC Insurance
3 RBC Insurance
4 ScotiaLife Financial
5 TD Insurance
6 Desjardins Financial Security Life Assurance Company
7 National Bank Life Insurance Company
8 Manulife Financial
9 The Canada Life Assurance Company

2020 Lower Tier Member

1 Assurant Solutions
2 Canadian Premier Life Insurance Company
3 Cumis Group Ltd/Co-operators Life Insurance Co.

2020 Initiation Members (Upper Tier)

1 Sun Life Financial

2020 Associate

1 RSM Canada
2 Willis Towers Watson
3 KPMG MSLP
4 Optima Communications
5 RGA Life Reinsurance Company of Canada
6 Torys LLP
7 RankHigher.ca
8 *TBC
9 *TBC

*Associate Candidates - Stikeman Elliott, Norton Rose, Deloitte, Dog and Pony - To be confirmed

Did noy renew in 2020

PWC

Munich Reinsuranace Company Canada Branch (Life)

DRAFT #1
March 6, 2020

Financial Statements of

CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE

And Independent Auditors' Report thereon

Year ended December 31, 2019

INDEPENDENT AUDITORS' REPORT

To the Members of the Canadian Association of Financial Institutions in Insurance

Opinion

We have audited the financial statements of Canadian Association of Financial Institutions in Insurance (the Entity), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of operations and changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

DRAFT

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada

April 7, 2020

CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE

DRAFT Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019		2018	
	General Fund	Restricted Fund (note 6)	General Fund	Restricted Fund
Assets				
Current assets:				
Cash	$ 353,428	$ 12,151	$ 193,381	$ –
Prepaid expense	3,251	–	2,197	–
	356,679	12,151	195,578	–
Capital assets (note 4)	2,272	–	3,408	–
	$ 358,951	$ 12,151	$ 198,986	$ –
Liabilities and Fund Balances				
Current liabilities:				
Accounts payable and accrued liabilities	$ 128,728	$ –	$ 28,788	$ –
Fund balances (note 2)	230,223	12,151	170,198	–
	$ 358,951	$ 12,151	$ 198,986	$ –

The accompanying notes are an integral part of the financial statements.

On behalf of the Board:

________________________________ Director

________________________________ Director

CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE

DRAFT Statement of Operations and Changes in Fund Balances

Year ended December 31, 2019, with comparative information for 2018

	2019		2018	
	General Fund	Restricted Fund	General Fund	Restricted Fund
Revenue:				
Membership dues	$ 734,664	$ –	$ 695,545	$ –
Luncheon	195	–	–	–
Interest	982	–	–	–
Special assessment	–	205,257	–	–
	735,841	205,257	695,545	–
Expenses:				
Association operating	647,125	–	518,694	–
Research and education committee	5,368	–	77,345	–
Market conduct committee	16,833	–	11,230	–
Networking and events committee	65,053	–	52,957	–
Licensing efficiency issues committee	7,997	–	6,490	–
Media and advocacy strategy committee	34,432	–	39,078	–
Legal	–	92,114	–	–
	776,808	92,114	705,794	–
Excess of expenses over revenue	(40,967)	113,143	(10,249)	–
Fund balances, beginning of year (note 2)	170,198	–	180,447	–
Transfer to General Fund	100,992	(100,992)	–	–
Fund balances, end of year	$ 230,223	$ 12,151	$ 170,198	$ –

The accompanying notes are an integral part of the financial statements.

CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE

DRAFT Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019		2018	
	General Fund	Restricted Fund	General Fund	Restricted Fund
Cash provided by (used in):				
Operating activities:				
Excess of expenses over revenue	$ (40,967)	$ 113,143	$ (10,249)	$ –
Amortization of capital assets	1,136	–	1,136	–
Change in non-cash operating working capital	98,886	–	9,788	–
Cash provided by operating activities	59,055	113,143	675	–
Financing activities:				
Inter-fund transfers	100,992	(100,992)	–	–
Increase in cash	160,047	12,151	675	
Cash, beginning of year	193,381	–	192,706	
Cash, end of year	$ 353,428	$ 12,151	$ 193,381	$ –

The accompanying notes are an integral part of these financial statements.

The Canadian Association of Financial Institutions in Insurance ("CAFII") is a not-for-profit association incorporated under the Canada Not-for-profit Corporations Act on August 25, 2014. CAFII was originally incorporated under the Canada Corporations Act on October 29, 1997 and commenced operations on January 1, 1998. CAFII was established to provide an industry-based forum to represent a range of financial institutions in insurance in Canada and to work in partnership with regulators to create an efficient and effective regulatory framework that provides consumer choice in the purchase of insurance products and services. CAFII's members provide life, property and casualty, travel and credit insurance, reinsurance and other products and services through a wide variety of distribution systems. CAFII is exempt from income taxes under paragraph 149(1)(l) of the Income Tax Act (Canada).

1. Significant accounting policies:

(a) General:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountants of Canada Handbook.

(b) Revenue recognition:

CAFII derives its revenue primarily through membership dues. Dues are recognized as revenue in the membership period (January 1, 2019 to December 31, 2019) to which they relate.

(c) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and deposits which are highly liquid with original maturities of less than three months.

1. Significant accounting policies (continued):

(d) Capital assets:

Tangible capital assets are recorded at cost. When a tangible capital asset no longer contributes to CAFII's ability to provide services, its carrying amount is written down to its residual value.

Tangible capital assets consist of computer equipment and are amortized on a straight-line basis over five years.

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. CAFII has not elected to carry any such financial instruments at fair value.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, CAFII determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount CAFII expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(f) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets. Actual results could differ from those estimates.

2. Fund balances - General Fund:

The General Fund reports unrestricted resources. If resources are to be used for specified purposes, these would be reported in restricted funds.

CAFII's Board of Directors aims to maintain unrestricted net assets (financial reserves) within a range of between 25% of total annual operating expenses and 50% of total annual operating expenses. Management intends to utilize unrestricted net assets on CAFII-mandated projects, as determined by the Board of Directors.

3. Financial instruments:

The carrying amounts of financial assets and liabilities approximate their fair values due to the short-term nature of these financial instruments.

4. Capital assets:

2019	Cost	Accumulated amortization	Net book value
Computer equipment	$ 8,013	$ 5,741	$ 2,272

2018	Cost	Accumulated amortization	Net book value
Computer equipment	$ 8,013	$ 4,605	$ 3,408

5. Financial risks and concentration of credit risk:

(a) Liquidity risk:

Liquidity risk is the risk that CAFII will be unable to fulfill its obligations on a timely basis or at a reasonable cost. CAFII manages its liquidity risk by monitoring its operating requirements. CAFII prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2018.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations, resulting in a financial loss. CAFII does not have any financial assets subject to credit risk.

6. Restricted Fund:

(a) Special assessment:

In a meeting held March 1, 2019, the CAFII Board of Directors authorized the collection of special purpose monies from the Association's members in accordance with a funding formula approved by the Board to fund a CAFII short-term special project which had not been contemplated or provided for within the Association's 2019 operating budget. This resulted in the collection of $205,257 in special purpose funds, which has been presented as a Restricted Fund in the statement of operations.

(b) Transfer of funds:

In a meeting held December 3, 2019, the CAFII Board of Directors, based on a determination that the CAFII short-term special project would not be as comprehensive as originally envisioned, authorized the transfer of remaining special purpose funds from the Restricted Fund to the General Fund, at the discretion of CAFII's management and the Association's Treasurer, to fund general operating expenses. During the year, $100,992 was transferred from the Restricted Fund to the General Fund and a balance of $12,151 remains in the Restricted Fund.

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Agenda Item 4(c)

March 24/20 EOC Teleconference Meeting

<u>Timelines for KPMG Audit of CAFII 2019 Fiscal Year Financial Statements</u>

- KPMG Engagement Letter signed by Co-Executive Directors on Feb 13/20.
- KPMG onsite at CAFII office starting Feb 19/20 to conduct 2019 fiscal year audit.
- Draft Audited Financial Statements ready for presentation to the EOC at its meeting on Tuesday, March 24/20 (to be posted to meeting site by March 17/20).
- Draft Audited Financial Statements (revised?) presented to the Board of Directors for approval at its meeting on Tuesday, April 7/20 (to be posted to meeting site by March 31/20).
- Final Audited Financial Statements presented to CAFII membership for approval at the Annual Meeting of Members on Tuesday, June 9/20 (to be finalized for circulation as part of the Annual Meeting materials package by April 28/20).

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Agenda Item 5(a)(i)

March 24/20 EOC Teleconference Meeting

Research & Education Committee

2020 Research Options—Recommendation

Background

The CAFII Board of Directors has approved a 2020 operating budget that includes $60K for original research. The Research & Education Committee met in-person on 10 March, 2020 to discuss research options. Background documentation on options was reviewed and there was a thorough discussion on what CAFII should focus on in 2020. A priority is research that can be publicly released, including to media.

Recommendation

The Research & Education Committee felt that while there are many viable options, the most impactful area to focus on right now is a CLHIA-type "fact pack" study on the size and impact of Credit Protection Insurance, nationally and provincially. This could be published and shared broadly, including via our CAFII website, could be the subject of a media release, and could be included in our presentations to insurance regulators and policy-makers. Examples of what could be included in the study are:

A. Total certificates in-force
B. Total claims paid out
C. Total dollar value of claims paid out
D. Number of Canadians protected by CPI
E. Number of employees who work in CPI for CAFII Member companies
F. Number of CAFII Member company employees focused on CPI compliance, monitoring, controls, training
G. Total value of CPI insurance in Canada (millions of dollars of protection offered) broken down by type and product (mortgage, line of credit, credit card, loans; life, disability, critical illness, job loss)

The R&E Committee felt that such a study might not cost the full $60K available for CAFII original research in 2020, and was hopeful that some budget would remain after producing such a study. If that is the case, the Committee was intrigued by the interest of Melissa Carruthers of Monitor Deloitte Canada in producing a white paper on "The Future of Credit Protection Insurance." It is our understanding that a key focus on this white paper would be about the digital path that credit protection insurance is heading in. Such a paper would constitute a thought leadership piece that would have value and could be released publicly. If there is budget left over after a Fact Pack-type research study, it is recommended that a meeting be set up between the R&E Committee and Melissa Carruthers to explore the possibility of CAFII funding her white paper on the future of CPI.

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Next Steps

If the EOC supports these recommendations, the next step will be to issue an RFP to three actuarial firms: RSM Canada, Willis Towers Watson (acquisition by Aon recently announced), and Eckler Ltd. with respect to the CLHIA-type "fact pack" study. The R&E Committee will review the RFP bid responses received and select a winning firm to conduct the research, and will then work with the firm in the development of the study.

If the winning firm's bid leaves CAFII with remaining funds for additional research, a meeting will be set up between the R&E Committee and Melissa Carruthers to explore the possibility of our Association funding her white paper on the future of CPI.

Appendix A

Members of the Research & Education Committee

Andrea Stuska, Chair	TD Insurance
Cecilia Xiao	Assurant
Craig McKendrick	CIBC Insurance
Sandy Zeidenberg	Manulife Financial
Aneta Murphy	ScotiaLife Financial
Rob Dobbins	Assurant
Dallas Ewen	Canada Life Assurance
Elaine Parr	TD Insurance
Keith Martin	CAFII
Brendan Wycks	CAFII

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AGENDA

01 2019 Program Summary

02 2019 Website Performance

03 2019 Business Listing Performance

04 Next Steps

05 Glossary of Key Terms

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

2019 Program Summary

2019 Program Summary

Project Status

Element	Item	Status
Video Production	Mortgage Life Insurance Video	Complete
	Pollara Research Video #1	Complete
	Pollara Research Video #2	Complete
Consumer Examples	11 English + 11 French Insurance Vignettes	Complete
	11 Images Sourced	Complete
Page Optimization	Travel Insurance, Job Loss Insurance, Mortgage Disability Insurance & Critical Illness Insurance, Disability Insurance for Loans, Mortgage Disability Insurance	Complete
Google / Wikipedia Entry	Google Knowledge Panel Verification	Complete

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

2019 Website Performance

2019 Website Performance

Overview

Website Metrics

WEBSITE VISITS
21,637
10.33% YoY
2018:19,612

UNIQUE VISITS
18,167
19% YoY
2018: 15,266

BOUNCE RATE
75.17%
6.79% YoY
2018: 70.39%

CONVERSIONS
133
10.83% YoY
2018: 120

133 Conversion Breakdown

CONTACT FORM (EN)
76
38.18% YoY
2018: 55

CONTACT FORM (FR)
3
40% YoY
2018: 5

PHONE CALL
46
6.98% YoY
2018: 43

EMAIL CLICK
8
52.94% YoY
2018: 17

Note: Metrics written in green increased, and metrics written in red decreased.

2019 Website Performance

Traffic Overview

Sources

ORGANIC
17,211
17.61% YoY
2018: 14,634

GOOGLE
16,674
14.80% YoY
2018: 14,524

BING
399
36.64% YoY
2018: 292

YAHOO
138
79.22% YoY
2018: 77

DIRECT
3,116
23.23% YoY
2018: 4,059

*Not the responsibility of RankHigher

REFERRAL
1,243
45.55% YoY
2018: 854

Total Traffic

21,570

Note: Metrics written in green increased, and metrics written in red decreased.

2019 Website Performance

Where Your Traffic Is Coming From By City & Device

Your Top Cities

City	Visits	Bounce Rate	Avg. Session Duration	Goals
Toronto	3,387	49.51%	4:00	17
Montreal	717	67.64%	1:17	3
Calgary	538	79.55%	1:01	9
Ashburn	340	96.47%	0:09	1
New York	307	76.22%	1:01	4
Edmonton	279	79.57%	0:51	3
Vancouver	243	76.95%	1:16	2
Baden	222	24.32%	6:10	0
Ottawa	217	71.43%	1:23	1
Chicago	205	67.80%	1:40	4

Device Usage

Device	Visits	Bounce Rate	Goals
Desktop	12,490 (58%)	69.14%	54
Mobile (Up 14% YoY)	8,313 (38%)	84.53%	78
Tablet	834 (4%)	72.06%	1

Top Mobile Device

Apple iPhone

(44% of Visitors)

Top Tablet Device

Apple iPad

(4.8% of Visitors)

2019 Website Performance

How you're ranking for the keywords/phrases people are using...

Keywords in 1st Position

53

430%
10 (2018)

Keywords on Page 1

105

303%
(26) 2018

Keywords with Improved Rankings

24

4%
(23) 2018

Includes: Google Desktop, Google Mobile, Bing Desktop, Bing Mobile

Note: Metrics written in green increased.

2019 Website Performance

Examples of how people are searching / finding your website...

Keyword Search

Keyword	2019	YoY	2018
Credit Protection Insurance	15	650% YoY	2018: 2
Job Loss Insurance	14	133.33% YoY	2018: 6
Job Loss Insurance Coverage	7	100% YoY	2018: 0
Who Sells Job Loss Insurance	7	100% YoY	2018: 0
Job Insurance	7	16.67% YoY	2018: 6
Job Loss Insurance Canada	7	75% YoY	2018: 4
Credit Card Insurance	6	100% YoY	2018: 3
Insurance To Cover Job Loss	4	100% YoY	2018: 0

Note: Metrics written in green increased.

2019 Website Performance

Keyword/Phrase Rankings - Top Increases

Keyword	Ranking Change	Current Position	Position in 2018
Mortgage loan life insurance	72	8	80
Mortgage life insurance vs. life insurance	60	23	83
Trip interruption insurance	55	5	60
Car loan life insurance	43	10	53
What is mortgage life insurance	41	3	44
Loan life insurance	36	5	41
Home loan insurance	35	49	84
What is critical illness insurance	32	60	92
How does mortgage life insurance work	31	5	36
What is trip interruption insurance	31	5	36

Includes: Google Desktop, Google Mobile, Bing Desktop, Bing Mobile

Note: Metrics written in green increased.

2019 Website Performance

The pages on your website that people find / go to the most often...

#1 Landing / Entry Page
Job Loss Insurance

- 6,895 Page Views
- Time on page is 1:52
- 84% visitors leave after viewing this page
- 268 visitors went to “contact” page next
- 101 visitors went to “about” page next
- 87 visitors went to “insurance” page next
- 51 visitors went to “faq” page next

67 conversions

#2 Landing / Entry Page
Credit Protection Insurance

- 3,806 Page Views
- Time on page: 2:51
- 89% visitors leave after viewing this page
- 96 visitors went to “faq” page next
- 37 visitors went to “home” page next
- 33 visitors went to “contact” page next
- 32 visitors went to “news” page next

5 conversions

2019 Website Performance

The pages on your website that are driving the most action...

Job Loss Insurance

67

Conversions

5,235

Sessions

Payment Protection Insurance for Loans

18

Conversions

685

Sessions

Life Insurance For Personal Loans

7

Conversions

1,317

Sessions

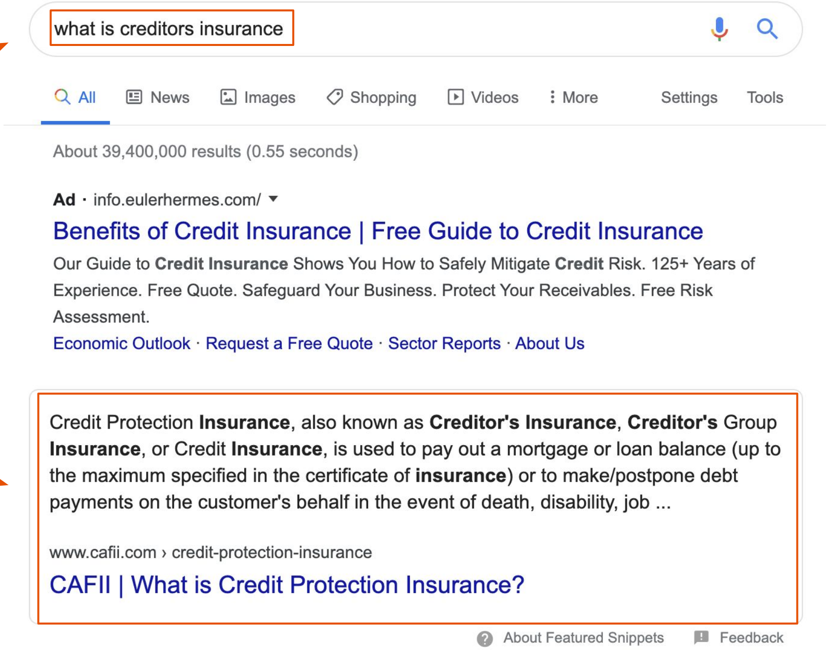
Conversions Include: Forms, Calls and Email Clicks

2019 Website Performance

Featured Snippets

When someone **searches** for 'what is creditors insurance', this is the result.

This is an example of a **featured snippet**.



Includes: Google Desktop, Google Mobile

2019 Website Performance

Featured Snippets

Because we've optimized your website, your website content is pulled into the featured snippet, for each of these important **15** keyword searches.

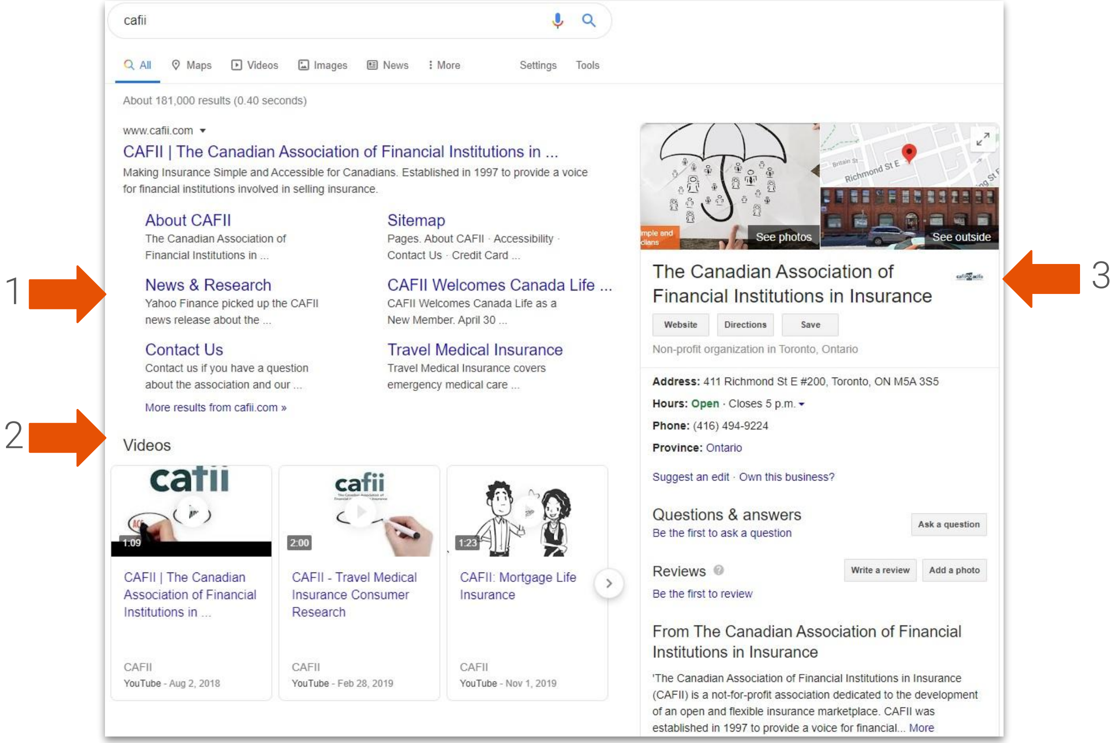
This means you are now being seen as the authority in your space by Google, and therefore by the target audience searching for this information.

Keywords In Google Featured Snippet
What is creditor's insurance
Mortgage disability insurance
Disability mortgage insurance
Job loss insurance for a mortgage
Credit card insurance benefits
How does credit card insurance work
What is credit card insurance
What is a credit insurance premium
What is creditor's insurance
Disability mortgage insurance
Mortgage job loss insurance
Credit card insurance benefits
How does credit card insurance work
What is credit card insurance
What is a credit card insurance premium

Includes: Google Desktop, Google Mobile

2019 Website Performance

When someone searches for your association directly they see...



Legend

1. We optimized 6 site links underneath home page.
2. We optimized 3 CAFII YouTube videos.
3. We optimized the CAFII knowledge panel.

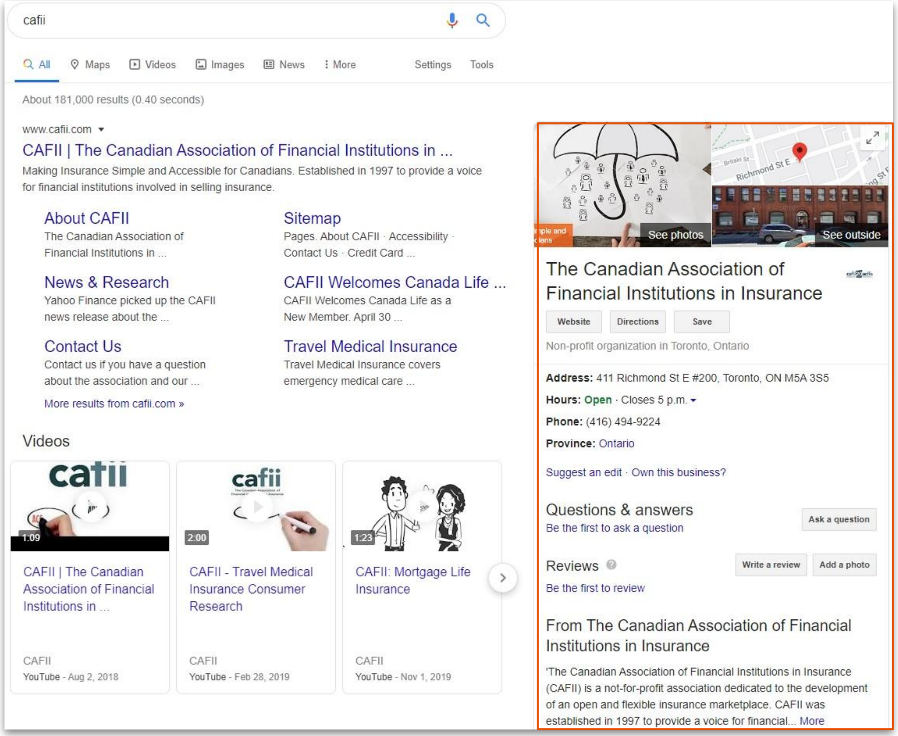
cafii acifa

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

Business Listing Performance

Business Listing Performance

What is Google My Business



This is an example of a **business listing.**

Includes: Google Desktop, Google Mobile

Business Listing Performance

2019 vs. 2018

Since 2018, your business listing has **improved** in searches, views and actions. That means more people have:

- Searched for CAFII branded terms, as well as non-branded terms.

- Searched (branded or non-branded) within ‘maps’ and your business listing appeared.

- Clicked on your listing to go to the website, to get driving directions, and to place a phone call.

So what?

This means more than **11,000** users have interacted with your associations business listing compared to last year!

Note: Metrics written in green increased.

Element	2019 Performance	Compared to 2018 Performance
Searches		
Branded Searches (CAFII)	1,798	**1,223 YoY**
Non-Branded Searches	5,125	**4,139 YoY**
Total	***6,923***	***5,362 YoY***
Views		
Total	***1,398***	**1,129 YoY**
Actions		
Clicks To Website	153	**118 YoY**
Clicks For Driving Directions	12	**10 YoY**
Clicks To Place Phone Call	3	**2 YoY**
Total	***168***	***130 YoY***

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

Next Steps

Next Steps

Our Recommendations

Let’s improve the bounce rate of your website!

We’ve already planned more videos for 2020 which will assist with your bounce rate.

In addition, were working in the background to improve elements of your site affected by the most recent Google Algorithm updates (October and January).

Let’s improve the experience on your business listing!

Now that many 11,000 more people are going to your Google My Business, we should be incorporating some enhanced experience elements such as:

- **Videos.** We can upload all the videos we have done (and the new ones) for $1,000.
- **Images.** We should take professional photos at your events, edit and upload them.
    - Let us know and we will scope this out for your next event (~$750)

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

Glossary of Key Terms

Glossary

Website - Key Terms

Website Visits
The overall number of visits to your website within a given period.
A single person can visit a website multiple times.

Unique Visits
The number of unique people who visited your website within a given period (ie: last quarter).

Bounce Rate
The percentage of individuals that instantly leave a website without taking any action.

Conversions
The completion of a specific action on a website deemed to be important to a business' success. (ie: Visitor fills out a contact form, clicks to make a phone call or clicks to write an email).

Contact Form (submission)
A website visitor who fills out a form on your website.

Phone Call
A website visitor who places a phone call from your website.

Email Click
A website visitor who clicks to email from your website.

Direct Website Visits
The visits that came to your website from someone typing in your website URL into a browser, or through browser bookmarks.

Organic Website Visits
The number of visits that came to a website through a search engine (not including paid advertisements).

Referral Website Visits
The visits that came to a website by clicking on a link placed on a different website.

Glossary

Google My Business - Key Terms

Branded Searches
Visitors who find your listing searching for your business name or address.

Non-Branded Searches
Visitors who find your listing searching for a category, product or service without using your brand in their search query.

Map Views
Users who view your listing on Google Maps.

Search Views
Users who view your listing on a Google Search Engine Results Page.

Clicks To Website
When a visitor finds you on Google My Business and clicks through to your website.

Clicks For Driving Directions
When a visitor finds you on Google My Business and clicks to find driving directions.

Clicks To Place Phone Call
When a visitor finds you on Google My Business and clicks to place a phone call.

cafii

The Canadian Association of
Financial Institutions in Insurance

In 2019 We…

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

In 2020, We Will...

Develop New Video Content
Continue Answering Top Consumer FAQs
Continue To Improve Your Website Engagement
Continue To Maintain And Enhance Your Website
Provide Clear & Insightful Reports On Wins and Growth Opportunities

New Video Content

Building On Last Year's Success

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

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

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

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

Video Process

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

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

Video Examples

Motion Graphic vs. Whiteboard

Motion Graphic

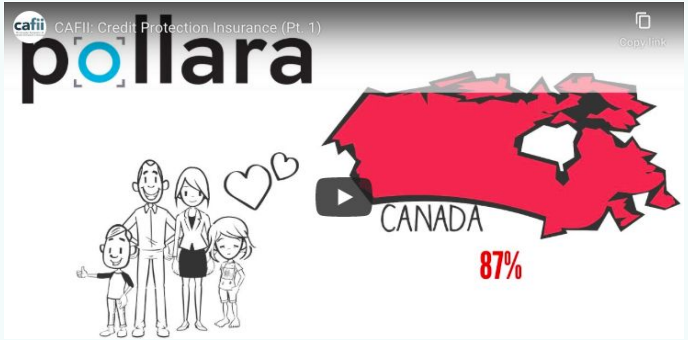
Pros

- More customized
- Branded
- Higher production value

Cons

- Higher Investment
- Inconsistent with previous videos delivered

Whiteboard



Pros

- Cost effective
- Consistent with previous videos delivered

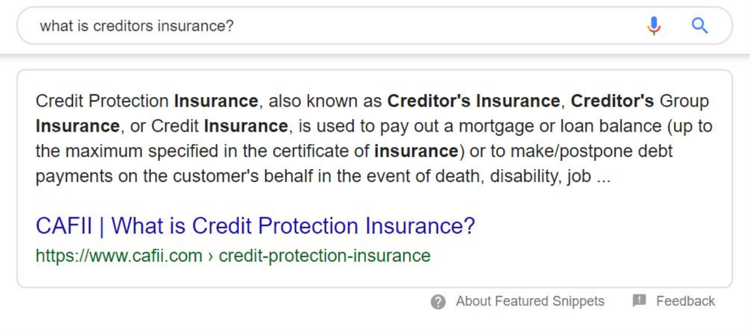
Cons

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

Providing More Answers

New FAQ Content

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



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

Mortgage Life Insurance:

Q: Who can apply for mortgage life insurance?

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

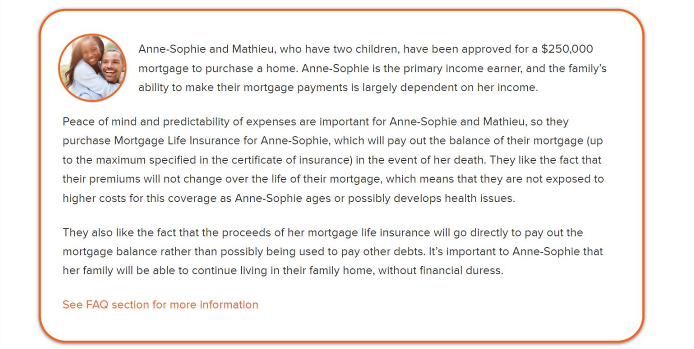
Travel Insurance:

Q: What is travel insurance?

Website Engagement

Creating Additional Vignettes

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



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

New FAQ Vignettes (3):

Q: Who can apply for mortgage life insurance?

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

Q: What is travel insurance?

Vignettes for 3 existing FAQs:

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

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

Q: Does Credit Protection Insurance provide good value?

Website Development Retainer

Why It's Important & What to Expect

Support your program needs.

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

Suggested Retainer	Monthly Investment
2 hours per month	$300

Benefits:

- Team consistency and efficiency
- Discounted rate

Details:

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

This retainer will cover:

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

2020 Program Summary

What's In-scope?

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

THE CANADIAN BUSINESS QUARTERLY

Making insurance simple, accessible, and affordable for Canadians

The Canadian Association of Financial Institutions in Insurance (CAFII) is a not-for-profit industry Association dedicated to the development of an open and flexible insurance marketplace in Canada. CAFII members – which include the insurance arms of Canada's major financial institutions and the country's major life and health insurance companies — believe that consumers are best served when they have easy access to insurance, meaningful choice in coverage options, and competitive pricing.

Consumers benefit from having access to a wide array of insurance coverage options and sales channels in Canada, but many are not familiar with them or how they work. That's why CAFII conducts consumer research and has its own consumer-friendly website www.cafii.com – so that our Association can better understand the insurance needs and preferences of Canadians, share straightforward information about the various insurance options that our members offer, and help educate consumers about the choices available to them.

We believe that better-informed consumers are more aware of the full range of insurance products and services available to them, and can better understand how to match coverage options to their personal circumstances.CAFII members offer a variety of insurance products including travel, life, health, property and casualty, and credit protection insurance (CPI). They provide these products through client contact centres, consumer-friendly websites and apps, direct mail, agents and brokers, and travel agents.CPI, also known as creditor's group insurance, is used to pay off a mortgage or loan balance or to make/postpone debt payments on the insured's behalf in the event of death, disability, job loss or critical illness. It can be obtained for a variety of debt obligations, including mortgages, consumer loans, lines of credit and credit cards.

This type of insurance has multiple benefits. For example:

First, if an insured person is unable to make debt repayments due to reasons such as death, disability, critical illness or job loss, CPI ensures that the debt is paid out to the maximum limit of the policy (in the case of death and critical illness) or that the loan payment is made or postponed on their behalf (in the case of disability or job loss). This will ensure the loan remains in good standing and will help protect the insured person's credit rating.

Second, the group policy structure of CPI allows more Canadians to be insured at economical standard rates, and almost all applicants are accepted.

Third, CPI is easy to obtain. With well-trained and supervised salaried staff at banks and credit unions, Canadians have 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.

Fourth, CPI is offered in exactly the amount of debt being taken on; and, as an optional benefit offered alongside a loan or mortgage product, it is inherently timely and convenient.

And fifth, CPI provides some forms of protection that are not readily available elsewhere, such as job loss insurance.

CPI coverage is typically secured through the financial institution providing the consumer's mortgage, loan or credit card.

According to independent research conducted by Pollara Strategic Insights in late 2018, the experience of Canadians with CPI on their mortgages and home equity lines of credit (HELOCs) is 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.

Furthermore, 71% said that without CPI, they do not know how they and/or their family would be able to manage 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.

Canadians with CPI coverage also expressed confidence in the CPI claims process, and indicated that their expectations for claims payouts were 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.)

Travel insurance is designed to protect consumers and their families from a variety of unexpected expenses related to travel outside of their home province. It is usually available in two varieties: travel medical insurance; and trip cancellation/interruption and baggage loss insurance.

Travel medical insurance covers emergency medical care expenses should someone suddenly and unexpectedly get sick, or if they have an accident while outside of Canada. Provincial health plans cover only a fraction of any health care expenses incurred outside of Canada (Ontario now covers almost nothing), and they limit coverage when travelling to another province. Should a covered person get sick or injured during his or her trip, travel medical insurance may cover all or most of their medical expenses up to a predetermined limit.

This coverage can help protect consumers against the high cost of healthcare in the event of a medical emergency when travelling internationally.

For example, medical expenses, including medical evacuation, can be much higher in other countries than they are in Canada where Canadians are likely covered by their provincial health care plan. For example, according to the U.S. Centers for Medicare & Medical Services, fixing a broken leg can cost up to $7,500; the average cost of a three-day hospital stay is approximately $30,000; and comprehensive cancer care can cost hundreds of thousands of dollars in the United States – much, much higher than the amount a provincial health plan covers for medical expenses incurred outside

Canada. In addition, the cost of emergency medical evacuation from a foreign country can be $25,000 or more. Most people would face financial ruin if required to pay medical bills of that magnitude.

Trip cancellation insurance will reimburse consumers for the amount of pre-paid, non-refundable travel expenses (e.g. airline, cruise, train, hotel, etc.) that they have insured, should they cancel their trip before departure for an unforeseen covered reason. These reasons include the unexpected illness or injury of the insured and/or a traveling companion that deems them unfit to travel, by order of a licensed physician; the hospitalization or death of a family member; circumstances beyond one's control that results in the cancellation of the public transportation they have paid for to get to their destination; unforeseen natural disasters at home or the destination; and/or a legal obligation, such as being called for jury duty or to appear as a witness in court.

Trip interruption insurance is similar to cancellation coverage, but covers Canadians while they are on a trip for a list of covered reasons. For example, if a covered reason requires an insured person to return home, trip interruption insurance will reimburse them for the lost portion of their trip, as well as any additional expenses for a last-minute flight home.

According to independent research by Pollara conducted in early 2018, the experience of Canadians who have purchased travel medical insurance is very positive, with more than 8 in 10 satisfied with the coverage and the value it provides. Furthermore, 98% of people who had made travel medical insurance claims within the previous year said they were fully or partially paid, with only 2% of claims being denied. In addition, 91% of claimants said they were satisfied with their claim experience from initial contact to final outcome.

The survey results also revealed that Canadians believe that they have a reasonable understanding of the terms and limitations of their travel medical insurance, their amount of coverage, and who to contact in the event of an emergency. For example, at the time of purchasing their travel medical insurance, buyers said they were satisfied that they knew the policy terms, with 89% saying their knowledge was at least reasonable.

The Pollara research reports on travel medical insurance and credit protection insurance are available on the CAFII website. The website also contains videos, real-life examples, explanations and FAQs about more than a dozen types of insurance including mortgage default insurance and life insurance, as well as a wide range of CPI products including mortgage life insurance, mortgage disability insurance, critical illness insurance, job loss insurance, and payment protection insurance.

While we are pleased with CAFII's progress to date in helping our members make insurance more simple, accessible, and affordable for Canadians, we know there is still more work to be done. So as we move forward towards our Association's 25th anniversary in 2022, we will continue to advocate for an open and flexible insurance marketplace in Canada, and provide consumers with the information they need to make informed choices.

Keith Martin and Brendan Wycks are Co-Executive Directors of the Canadian Association of Financial Institutions in Insurance (CAFII), www.cafii.com

cafii acifa

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

Credit Protection Insurance

Offered by CAFII Members

Making insurance simple and accessible for Canadians

Rendre l'assurance simple et accessible pour les Canadiens

Credit Protection Insurance Overview

Credit Protection Insurance (CPI)

Optional insurance for specific debts, including:

Mortgages

Line of credit (secured/unsecured)

Credit cards

Loans

Credit Protection Insurance (CPI)

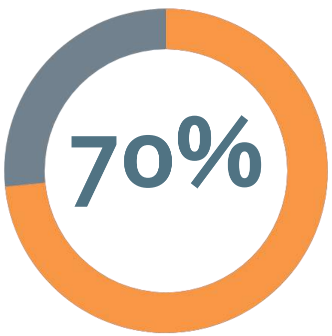
Protects consumers' debt obligations against a variety of risks

In the case of:	CPI can help to:
Death	Pay off debt
Disability	Make payments
Critical illness	Postpone payments
Job loss	

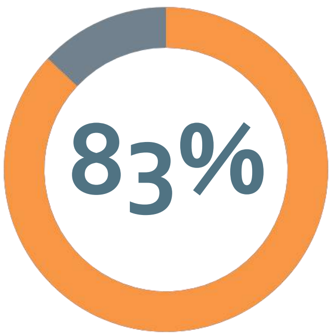
Simple, accessible and affordable

87%

87% of Canadians with CPI on their mortgages and Home Equity Lines of Credit (HELOCs) say it is a convenient way to protect themselves and/or their families.*



70% of Canadians with CPI say CPI is an affordable insurance option*

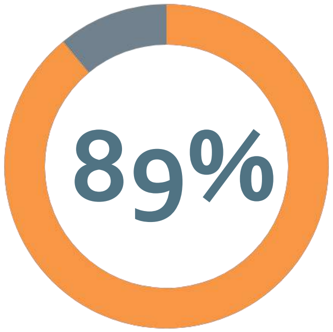


83% of Canadians with CPI coverage say it is an effective way to protect themselves and their families.*

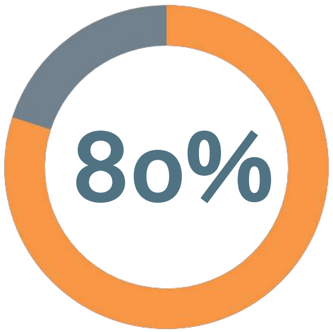
*Source: CAFII commissioned national online survey of 1,003 adult Canadians who have Credit Protection Insurance on a mortgage and/or home equity line of credit. The survey was conducted from October 3 to 16, 2018 by Pollara Strategic Insights.

Paid claims and peace of mind

An independent Pollara study found that 92% of Canadians who had purchased Creditor Protection Insurance said that the coverage gave them "peace of mind" that their family would be protected in the event of a death or disability.



89% of survivors/next-of-kin who made a CPI life insurance claim reported that it was paid*



80% of Canadians with CPI report satisfaction with their claims experience*

*Source: CAFII commissioned 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 by Pollara Strategic Insights.

Coast-to-coast access

Financial institutions	Insurers
BMO	Assurant
CIBC	CUMIS
Desjardins	Canada Life™
RBC	canadian premier™ – A Securian Financial company
Scotiabank®	Sun Life Financial
National Bank	Manulife
TD	

Sobering statistics

Inadequate coverage

Half of the Canadian population is neither prepared nor protected

50% In 2019, half of Canadians **did not own life insurance coverage***

*Source: LIMRA Canadian Life Insurance Ownership Study — 2019 Person-Level Report.

Inadequate coverage

Coverage gaps disproportionately affect lower and middle-income families

49%

Just less than half of husbands earning less than $35,000 own any life insurance*

45%

Even fewer wives earning less than $35,000 own any life insurance*

*Source: LIMRA Canadian Life Insurance Ownership Study — 2019 Person-Level Report.

Rising debt levels

At the same time, Canadians are more indebted than ever

In 2019 average consumer had over **$70,000** in debt[1]

In 2016 the median mortgage debt was **$180,000**[4]

Last year **375** Canadians **per day** went insolvent[2]

Average non-mortgage debt is over **$31,000**[5]

48% say they're within **$200** of not being able to cover their monthly bills[3]

Canadians have over **$100bn** in outstanding credit card balances[5]

Sources:
[1]Equifax Report https://www.consumer.equifax.ca/about-equifax/press-releases/-/blogs/canadian-consumers-piled-on-their-winter-cred-2/
[2]Financial Post https://business.financialpost.com/personal-finance/debt/375-canadians-a-day-went-insolvent-last-year-the-most-since-the-financial-crisis
[3]Ipsos Survey https://www.ipsos.com/en-ca/news-polls/half-48-canadians-are-less-200-away-monthly-being-financially-insolvent
[4]Statistics Canada https://www150.statcan.gc.ca/n1/daily-quotidien/190808/dq190808a-eng.htm
[5]TransUnion Industry Insights Report https://www.transunion.ca/lp/IIR

Unforeseen life events happen

Critical illness, disability or job loss a reality many Canadians will face

1 in 2 Canadians will develop cancer in their lifetime[1]

Strokes **leading cause of adult disability** in Canada[2]

<50,000 strokes in Canada every year or 1 stroke every **10** minutes[2]

Every year, Canadians spend a total of **3 million days** in hospital because of strokes[2]

In November 2019 alone, the Canadian economy lost over **70,000** jobs[3]

Canadian unemployment rates are projected to steadily rise over the next 5 years, reaching **6.5%** in 2024[4]

Sources:
[1]Canadian Cancer Society https://www.cancer.ca/en/cancer-information/cancer-101/cancer-statistics-at-a-glance/?region=on
[2]Ontario Stroke Network http://www.ontariostrokenetwork.ca/wp-content/uploads/2013/07/Final_Fact_Sheet_Stroke_Stats_3.pdf
[3]Statistics Canada Labour Force Survey https://www150.statcan.gc.ca/n1/daily-quotidien/191206/dq191206a-eng.htm?HPA=1
[4]Statista https://www.statista.com/statistics/263696/unemployment-rate-in-canada/

Closing the gap

Having the “what if?” conversation

If it isn’t offered, most people won’t seek it out

90%

90% of Canadians have never been offered critical illness insurance*

Having the insurance conversation opens a difficult but critical dialogue to help people understand their risks – and what’s available to them

*Source: Insurance and Investment Journal, Life insurance: Canadians rarely solicited but consider the product important – Munich Re commissioned IPSOS survey March 2016

Meet Marie

37 years old, married

2 kids, one in daycare, one in school

Primary income earner

~$300,000 remaining on a $500,000 mortgage

20-year amortization

Owns life insurance through her employer's group benefits plan

Debts have a way of piling up

Takes out $50,000 HELOC for home renovations

Puts new furnace on credit card

Takes out an unsecured loan for private school

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What if something happens?

Cannot afford daycare, affecting employability

Misses credit card payments

Family's lifestyle dramatically altered

Loses family home

No coverage for job loss, disability or critical illness

Credit rating plummets

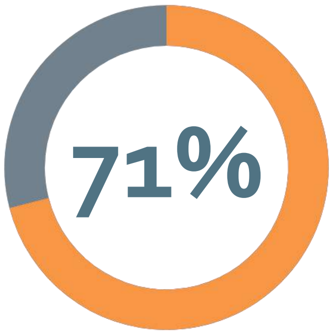
Experiences depression

Group benefits life insurance insufficient to cover mortgage

What if she had the conversation?

Opening a dialogue at the point of sale

Marie's not alone



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.

*Source: CAFII commissioned 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 by Pollara Strategic Insights.

Sales practices built on fair treatment of customers

Coverage is optional

Multiple accountabilities and product features reinforce optional nature of coverage

Bank client service representatives are **trained to communicate that CPI is optional,** in keeping with CBA Code of Conduct for Authorized Insurance Activities

Coverage can be **cancelled at any time**

Customers have an initial **period of 10 to 30 days**, within which they may cancel coverage and receive a full premium refund

Tied selling is strictly prohibited in legislation for banks

Accurate information

Comprehensive and recurring training to ensure consumers receive accurate and reliable information

Staff adheres to carefully developed scripts and protocols during the customer conversation to:

- ✓ Ensure that customers are provided full disclosure
- ✓ Ensure that the financial institution obtains express consent (verbal or written) from the customer

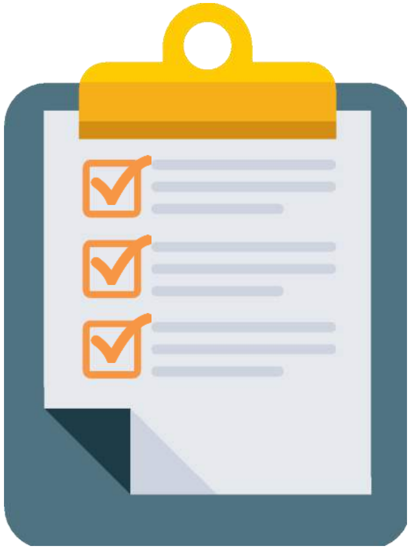
CAFII member FIs educate those offering CPI through:

- ✓ Individual coaching
- ✓ Formal CPI training programs
- ✓ Team huddles

Prioritizing consumer protection

Oversight doesn't end once the consumer has enrolled in CPI coverage

Post sale practices are designed to ensure the fair treatment of customers:



- ✓ Calls are routinely recorded and monitored
- ✓ Post-sale reviews ensure customers understood and gave express consent
- ✓ Everything is passed through legal & compliance by both banks and insurance companies to ensure full compliance with legislation and regulation
- ✓ CPI insurers monitor spikes of cancellations at 30, 60, 90 days

Consumer-friendly documentation

Disclosure prioritizes informed purchase decisions

Certificates of insurance

- ✓ Eligibility conditions
- ✓ Features and benefits
- ✓ Limitations
- ✓ Exclusions

Transparency

- ✓ Cost outlined in "plain language"
- ✓ Optionality reinforced

Clear & simple processes for making a claim

- ✓ How to submit a claim
- ✓ Insurer's name and contact information
- ✓ Premium charges
- ✓ Statement that the coverage is optional and voluntary
- ✓ Review period within which coverage may be cancelled for a full premium refund

Straightforward complaint handling

Significant back-end work to ensure fair front-end sales practices

Robust internal complaint handling process

- ✓ Complaints are handled with an emphasis on the **fair treatment of customers**
- ✓ CPI insurers track and report complaints to the new national database rooted in the **CCIR Annual Statement on Market Conduct**

We take Complaint Handling seriously and look forward to assessing in detail the February 2020 FCAC report on Complaint Handling to provide further guidance for industry improvements.

Consumer satisfaction a priority

Making sure consumers understand their coverage

At the time of signing up for their CPI coverage:

90%

90% of insureds said they understood "very well" or understood somewhat their credit protection insurance terms.

74%

74% of insureds said they were satisfied with the information provided to them to make an informed purchase decision.

77%

77% of insureds reported satisfaction with the product explanations provided to them

*Source: CAFII commissioned 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 by Pollara Strategic Insights.

Strict industry self-regulation and robust provincial/federal regulation

Industry self-regulation

Mandatory participation in and compliance with industry guidelines and code of conduct

Insurance companies are **required to adhere to CLHIA Industry Guidelines** for CPI product design and distribution, in particular, *G7 Creditor's Group Insurance* and *G9, Direct Marketing*.

CBA Code of Conduct for Authorized Insurance Activities outlines obligations and best practice standards expected of bank representatives who offer Authorized Insurance Products

Robust provincial regulation network

Established conduit for communication among member jurisdictions

CISRO / OCRA

cafii acifa

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Provincially regulated

Fair treatment of customers integral to provincial regulators

CCIR / CISRO Fair Treatment of Customers Guidance a top priority

CCIR | CCRRA
Canadian Council of Insurance Regulators
Conseil canadien des responsables de la réglementation d'assurance

CISRO / OCRA

Federal oversight

Robust legislative/regulatory framework, monitoring & oversight to ensure fair treatment and protection of consumers

Financial Consumer Agency of Canada (FCAC)

Monitors and enforces compliance with federal consumer protection measures

Federal legislation and regulations

The Bank Act and the related Insurance Business (Banks and Bank Holding Companies) Regulations control key market conduct issues such as tied selling and privacy

Looking forward

Questions

Keeping the conversation and dialogue going


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

Appendix

Simple application process

Client applies for $475,000 Mortgage and Mortgage Life Insurance

Client Completes Simplified Health Questions on Mortgage Life Insurance Application

Client Answers No to all Health Questions

Coverage Auto-Approved and Effective Immediately

Client Answers Yes to *one or more* Health Questions

Client Provides Information to Insurer as Requested

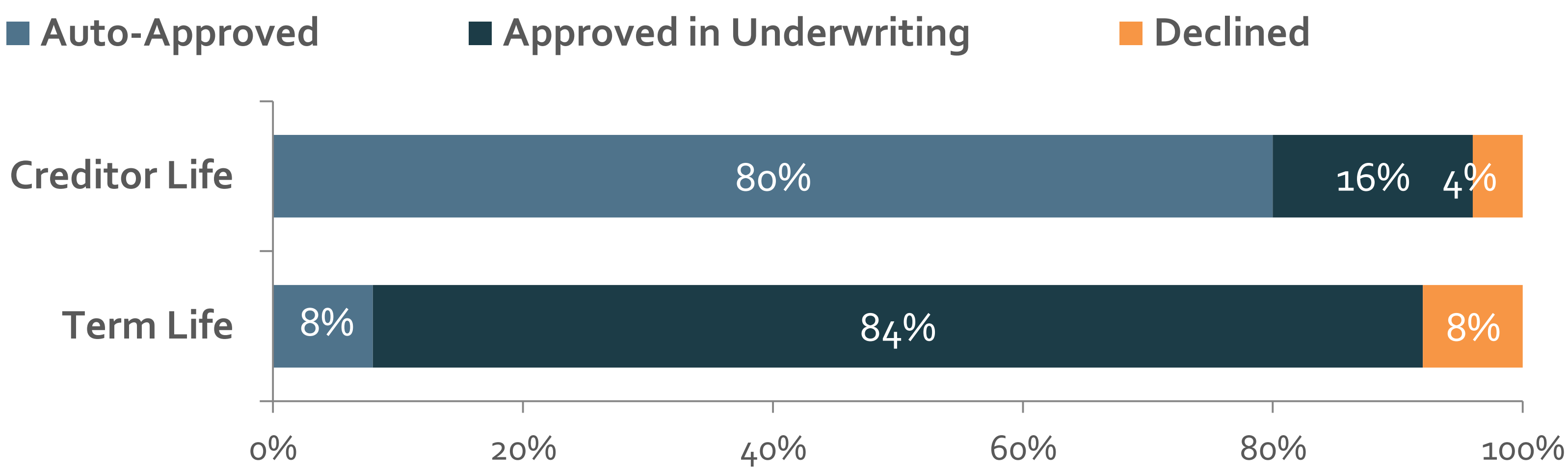
Insurer Approves Application and Provides Written Confirmation to Client

Coverage Effective on Date Approved by Insurer

Insurer Declines Application and Provides Written Confirmation to Client

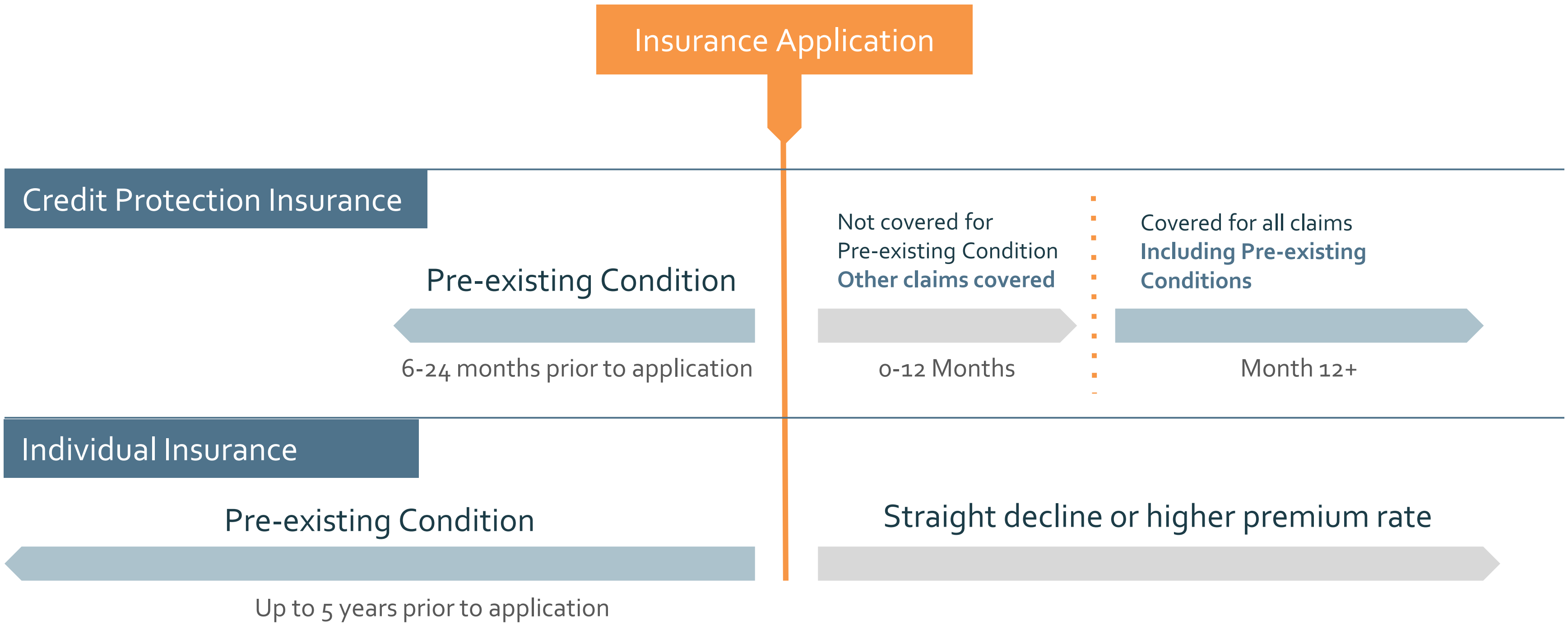
Easy approval process

Industry Application Approval Rates for Mortgage Life and Term Life Insurance*



*Source: Towers Watson September 2015 Report: Comparison of the Customer Value Proposition of Creditor's Group Insurance on Mortgages with Individual Insurance (using 2013 data)

Accessible to more people



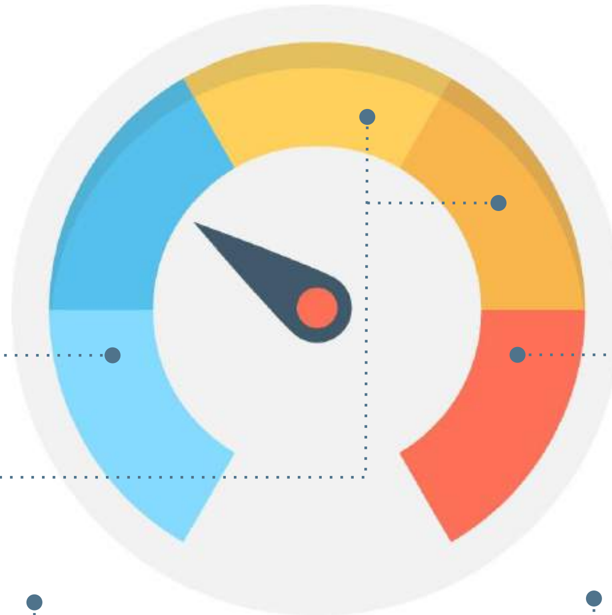
Flexible underwriting

Small amounts

Guaranteed issue with a pre-existing condition provision

Higher amounts

Simplified health questions



Specific medical conditions

Tele-underwriting or longer questionnaire

Medical testing

Coverage approved or declined

Broad ranges of risk

Accepted at standard rates

Extent of underwriting required is generally based on amount of coverage sought

Affordable option

Can be less costly than other forms of insurance*

Individual Disability Insurance

Credit protection disability insurance is less expensive than Class 2A (i.e. clerical employees) individual disability insurance for all ages, amounts and genders.*

Individual Critical Illness Insurance**

Credit protection critical illness insurance is less expensive than individual critical illness insurance for all ages, amounts and genders.*

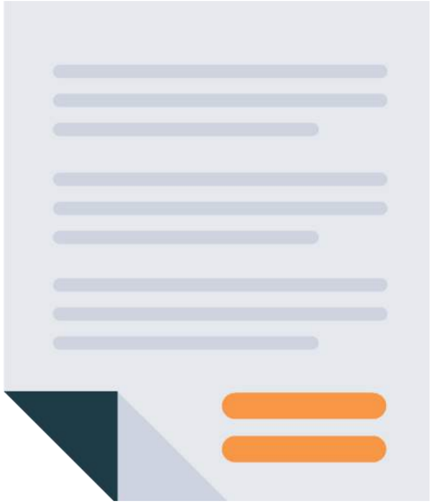
Credit Protection Life Insurance

Our research indicates that credit protection life insurance is price-competitive with term 20 life insurance for more than half (55%) of the customer profiles covered in the study.*

*Source: *Towers Watson September 2015 Report: Comparison of the Customer Value Proposition of Creditor's Group Insurance with Individual Insurance (using 2013 data)
** While critical illness credit protection covers the three most common type of illnesses for which benefits are paid (cancer, heart attack and stroke), its total coverage is not as broad as individual coverage. According to the Munich Re Individual Life Insurance Survey based on individual policy claims in Canada until the end of 2009, cancer, heart attack and stroke are the most common types of illnesses for which benefits are paid for Individual Critical Illness policies. These three illnesses account for 86% of paid claims.

Appropriate adjudication

Post-claims underwriting (PCU) **not practiced**



Insurers have **statutory right to deny a claim** due to material misrepresentation within a two-year contestability period, which is not unique to CPI products.

As do their counterpart underwriters of other types of insurance, insurers of CAFII member-distributed CGI adjudicate all claims **in accordance with the contract provisions set out in the certificate of insurance given to the consumer**, e.g. benefits will not be paid for death due to suicide within the first two years of coverage.

CAFII Speaker's Notes

Slide 1: Credit Protection Insurance Offered by CAFII Members

Welcome and introduce presentation

Slide 2: Credit Protection Insurance Overview

Credit protection insurance is a lot like a seatbelt – you hope you never have to use it, but it's there if you do. It's also, like a seatbelt, a simple way to protect yourself against the uncertainty that life may bring.

Slide 3: Credit Protection Insurance (CPI)

Explain that it is insurance you buy on specific debt vehicles

Slide 4: Protects consumers' debt obligations against a variety of risks

Credit Protection Insurance, also known as Creditor's Insurance or Creditor's Group Insurance, is used to pay out a mortgage or loan balance (up to the maximum specified in the certificate of insurance) or to make/postpone debt payments on the customer's behalf in the event of death, disability, job loss or critical illness. It can be obtained for a variety of debt obligations, including mortgages, consumer loans, lines of credit, and credit cards. It is sold by banks and credit unions across Canada, including by CAFII member financial institutions.

Slide 5: Simple, accessible and affordable

Our goal is to simplify the insurance process and make it easier for customers to get protection. An overwhelming number of surveyed Canadians who own CPI believe that CPI is not only convenient and affordable, but also important for protecting their families.

Slide 6: Paid claims and peace of mind

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.

Slide 7: Coast-to-coast access
CPI 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.

Virtually every financial institution offers credit protection and specifically CAFII members are mentioned in this slide

Creating that national network for convenient access to credit insurance. We represent the vast majority of providers for this insurance although not everyone.

Slide 8: Sobering statistics
The harsh reality is far too many Canadians are underinsured, uninformed, and lack proper guidance on how to protect their families should a tragedy occur.

Slide 9: Inadequate coverage
50% of Canadians don’t own life insurance coverage. This isn’t a small gap in coverage, this is half the population who isn’t protected and could leave their families in financial ruin if something were to happen.

Slide 10: Inadequate coverage (2)
Families are being affected the most by the lack of coverage, especially lower and middle-income families where fewer than half of all married individuals own any life insurance whatsoever.

Slide 11: Rising debt levels

With debt levels rising, it’s more important than ever to have a set plan in the event someone is unable to continue working. Many Canadians are barely even getting by paying off their monthly bills and an unexpected loss of income could prove to be crippling.

Slide 12: Unforeseen life events happen
What’s more, there are few options that protect people in the case of critical illness, job loss or disability – which will be a difficult reality for many Canadians.

Slide 13: Closing the gap
Our goal is to give Canadians a simple, accessible and affordable option to protect themselves.

Slide 14: Having the “what if?” conversation
We believe that having the “what if” conversation helps clients recognize scenarios and flaws in their coverage they may have never considered otherwise. 90% of Canadians have never even been offered insurance against critical illness, so how could they even begin to protect themselves without someone there to have the conversation and explain what could happen and how they could mitigate that risk. By not having the “What if” conversation, we rely on Canadians to be proactive and research this information on their own.

Slide 15: Meet Marie
We’ve talked about the statistics -- now let’s bring that home and take a look at a real-life scenario. Who’s Marie? She’s like a lot of us: has a family, is the primary income earner, and has taken out a $500,000 mortgage with a 20-year amortization period to buy a home.

Slide 16: Debts have a way of piling up
As any of us know, debts have a way of quickly piling up. Lines of credit, loans, outstanding balances on credit cards and mortgage payments. Before long, a large chunk of a family’s income can be getting put towards

paying off these debts. Managing this debt is often predicated on being able to maintain or grow your income.

Slide 17: What if something happens?

But what if something were to happen for Marie here where she could no longer make those payments? If she had to stop working because of an illness, disability, or job loss she could see the life she knew completely crumble around her. She thought the life insurance coverage she had through her employer was enough, but plenty of gaps still existed in her coverage that exposed her and her family to risk.

Slide 18: What if she had the conversation?

Marie was put at risk because she never had the conversation. When she got her mortgage and HELOC she went to a broker and no one ever took the time to explain to Marie what risks were in place and how she could protect her family from having their lifestyle altered should the worst happen. By not being offered optional insurance from her bank she was never even given the chance to make this important decision.

Slide 19: Marie's not alone

Marie is not the only one at risk. Many Canadians have never had the "What if" conversation and as a result, don't have a plan in place to protect themselves and their family.

Slide 20: Sales practices built on fair treatment of customers

Slide 21: Coverage is optional

All coverage being offered is entirely optional with multiple layers of accountability to ensure the customer can properly consent and understands it can be waived or cancelled at any time.

Slide 22: Accurate information

Staff are trained not only to give accurate information regarding insurance coverage and benefits, but also to adhere to best practices for proper disclosure and consumer protection.

Slide 23: Prioritizing consumer protection

Oversight continues long after the sale is complete. Post-sale reviews and monitoring spikes in sales are just some of the many ways we ensure the consumer is protected.

Slide 24: Consumer-friendly documentation

Clients are given clear documentation that easily outlines all the conditions, benefits, limitations, and exclusions of insurance. Every process from clarifying that coverage is optional and comes with a review period to submitting a claim is clearly explained and outlines for easy review.

Slide 25: Straightforward complaint handling

Escalated customer complaints -- complaints that are not resolved internally -- are tracked and resolved through the independent Ombudsman for Banking Services and Investment (OBSI); ADR Chambers Banking Ombuds Office, or the Ombuds Service for Life and Health Insurance (OLHI); and the AMF, as appropriate.

Slide 26: Consumer satisfaction is a priority

Our top priority is consumer satisfaction. With that, we’re proud to boast such high numbers of understanding and satisfaction from those who have had the conversation and signed up for CPI coverage.

Slide 27: Strict industry self-regulation and robust provincial/federal regulation

Slide 28: Industry self-regulation

We’re an industry with multiple layers of accountability – starting with our own accountability to our customers.

Slide 29: Robust provincial regulation network

About: The Canadian Insurance Services Regulatory Organizations (CISRO), is a forum of Canadian insurance licensing/regulatory authorities who are dedicated to consistent qualifications and conduct of business standards for insurance intermediaries.

Mission: To collaborate on initiatives that support a consistent approach to consumer protection through the regulation of insurance intermediaries.

History: CISRO was created in the mid 1990s as a conduit for communication among the member jurisdictions. For the most part, that mandate has continued throughout CISRO's existence. CISRO has completed significant co-operative national projects:

- Development of the original Life Licence Qualification Program (LLQP), culminating with the program launch in 2003
- In conjunction with the Canadian Council of Insurance Regulators (CCIR), development of the Canadian Insurance Regulators Disciplinary Actions (CIRDA) database, which launched on December 1, 2013 and centralized licensee disciplinary decision documents on a national level
- Implementation of a modernized LLQP in January 2016, which updated and harmonized the pre-licensing life education program across the country.

Slide 30: Provincially regulated

The **Canadian Council of Insurance Regulators (CCIR)** is an inter-jurisdictional association of insurance regulators. The mandate of the CCIR is to facilitate and promote an efficient and effective insurance regulatory system in Canada to serve the public interest. We work together to develop solutions to common regulatory issues.

Slide 31: Federal oversight

A number of federal legislations and regulations are all followed to protect customers through multiple layers of oversight.

Slide 32: Looking forward

CAFII and its Members are always seeking to innovate and achieve better consumer experiences and satisfaction levels, and even higher levels of fair of treatment of consumers performance with CPI offerings.

Slide 33: Questions
Our goal is to keep an open dialogue -- we welcome feedback

Slide 34: End

Appendix

Slide 38: Accessible to more people
Minimal underwriting, simple questions, no medical, blood or urine samples

Slide 41: Appropriate adjudication

- Insurance companies have the right to validate that the information they were provided was correct
- If you lie, you can be denied. That’s not PCU.
- Every insurance company adjudicates all life claims
- Allegation of Post-Claims Underwriting (PCU) has been leveled in situations where consumer seriously misrepresented health at the time of application, e.g. responded “no” to a health question knowing he/she was being treated for a serious health condition
- But the fact is that insurers of CAFII member FI-distributed CGI do not practice PCU

SUMMARY OF CAFII MEETING WITH FCAC ON CAFII MEMBERS'

Agenda Item 6(a)(3)

March 24/20 EOC Meeting

Background
CAFII met with Financial Consumer Agency of Canada (FCAC) officials on 9 March, 2020 in Ottawa, to share information about the sales practices of CAFII members and the fair treatment of customers.

Participants

From the FCAC
Teresa Frick, Acting Managing Director: Supervision & Promotion Branch
Stephen Wild, Senior Research & Policy Officer
Laury Johnson, Senior Supervisor
Vincent Gadbois, Supervision Officer
Ruth Stephen, Director: Research, Policy & Education
Véronique Milot, Manager: Consumer Education
Dave Hayes, Research & Policy Officer
Thierry Plante, Senior Consumer Education Officer

From CAFII
Chris Lobbezoo, Vice-President, Creditor Product & Sales Distribution, RBC Insurance (CAFII Board Vice-Chair)
Martin Boyle, Manager, Compliance and Operational Risk, BMO Insurance (CAFII Board Secretary and Chair, Executive Operations Committee)
Dana Easthope, Chief Legal Officer, Chief Compliance Officer, and Corporate Secretary, Canadian Premier Life Insurance Company (Member, CAFII Executive Operations Committee)
Rob Dobbins, Senior Director, Compliance, Assurant (Member, CAFII Executive Operations Committee)
Brendan Wycks, CAFII Co-Executive Director
Keith Martin, CAFII Co-Executive Director

Summary of Meeting
After participants at the meeting introduced themselves, Keith Martin delivered a Powerpoint presentation of approximately 35 slides – developed for CAFII by Dog and Pony Studios -- on CAFII members' credit protection insurance (CPI) sales practices and related fair treatment of consumers considerations.

The presentation identified the major consumer debt obligations in association with which CPI is offered as optional protection, namely mortgages, lines of credit (secured or unsecured), credit cards, and loans. The different types of risk which CPI protects against were highlighted -- namely death, disability, critical illness, and job loss -- along with the fact that a benefit under this group insurance can result in total payout of the insured's debt, periodic payments against the debt for a specified period of time, or postponement of payments, depending upon the terms of the particular policy.

The next section of the presentation noted the high levels of satisfaction reported by consumers with credit protection insurance and reported CPI's high claims payout ratio, based on recent CAFII-commissioned research carried out by Pollara Strategic Insights. Background on the 13 members of CAFII was also provided.

The presentation then provided statistical information to demonstrate that Canadians, especially those in middle and lower income brackets, are vastly uninsured or underinsured, at precisely a point in time when Canadians' are carrying very high levels of debt obligations.

The presentation then focused on the importance of letting Canadians know about the option of credit protection insurance, and the risks to Canadians of not having insurance. It was also noted that this conversation is not always easy, as these are not topics most people want to think about.

The next section of the presentation focused on the optional nature of the coverage, the sales practices of CAFII members including the importance of providing consumers with accurate information and consumer-friendly documentation, fair sales practices, oversight and monitoring of sales practices, and straight-forward, accessible complaints procedures.

The presentation concluded with a review of the regulatory environment, including CLHIA Guidelines and the CBA Code of Conduct for Authorized Insurance Activities, provincial regulation, and federal oversight.

During Mr. Martin's presentation of CAFII's Powerpoint deck, there was a modest amount of interactive dialogue, with FCAC attendees asking a number of questions and CAFII representatives adding clarifying comments, elaboration, and illustrative examples in support of Mr. Martin's remarks, both of which led to valuable sidebar discussion and education opportunities.

Following the conclusion of Mr. Martin's presentation of the CAFII deck, an open Q&A session ensued for about 45 minutes which was marked by highly engaged and interactive dialogue. The tone of the FCAC representatives was inquisitive and respectful, and they seemed genuinely interested in the points CAFII was making.

The FCAC representatives seemed to have some pre-conceived notions about how the CPI industry works, but they also seemed very open and receptive to our arguments and explanations intended to correct their misconceptions.

Teresa Frick, the FCAC's Acting Managing Director: Supervision & Promotion Branch, began by indicating that given the nature of how the Agency works, it will often hear about complaints from consumers but not about the positive issues, but that that did not mean there was not an appreciation for the industry's positive features.

In that connection, she said that complaints about credit card balance protection insurance (CCBPI) were the type of CPI-related complaint that most often come to the attention of the FCAC.

She also noted that the industry, in her view, had taken very seriously the concerns expressed by the FCAC coming out of its Domestic Banks' Sales Practices Review, and that it had made important and positive reforms.

For example, Ms. Frick asserted that the FCAC was aware that in some banks, CCBPI is now being offered only by a dedicated team of individuals with a very high degree of expertise in the product, which she stated was viewed by the FCAC as a very positive development.

Ruth Stephen, the FCAC's Director: Research, Policy & Education, was interested in more information about the demographics of those who hold CPI, such as the average age, educational levels of customers, percentage of female versus male customers, etc. CAFII offered to follow-up and provide Ms. Stephen with those statistics from the Pollara Consumer Research project. She also referenced the value proposition project that CAFII mentioned on the cost of CPI versus term life, and said she would be interested in that information. We offered to also send her that information after the meeting.

Ms. Frick then launched a discussion topic on "who is this insurance meant for?," raising a concern that the insurance should only be sold to those who are eligible to make a claim. In that connection, she referenced, as an example, selling job loss insurance to a student who is not working full-time, and who is therefore not eligible to make a job loss claim.

This led to a discussion on these issues, with CAFII representatives emphasizing that eligibility for CPI coverage is an important element of the sales process; and that if a consumer who would not be eligible to make a claim is enrolled in CPI coverage, that would be a problem at the front end of the sales process. Controls and monitoring mechanisms are in place and continue to evolve to identify and rectify such a situation.

Ms. Frick agreed that problems with claims being denied are most often a by-product of inappropriate sales in the front end, and that this is where that situation could best be managed. She said that the sales practices of the banks in her view had improved significantly since the FCAC's publication of its Domestic Banks' Sales Practices Review Report, but that their sales processes will continue to be an area of focus for the FCAC and further progress will need to be part of the future.

The FCAC also asked about post-claims underwriting. Keith Martin responded that while CAFII members practise simplified underwriting, that was still underwriting that occurred at the time of product offer. To verify, at the time of a claim, the accuracy of the information originally provided by the insured, he emphasized, was claims adjudication, which was a completely legitimate procedure practised by the by the claims departments of all types of life and health insurance.

It was additionally noted that CPI has a high claims payout rate – for CPI life insurance, it's the same 95% of claims paid as is the industry norm for term life claims.

Chris Lobbezoo indicated that the business processes of CAFII member financial institutions are geared toward only accepting CPI applications that would result in a payout if a claim were made.

Rob Dobbins highlighted the typical life cycle of an insured consumer's experience with CPI insurance products and the rigorous, ongoing monitoring which CPI insurers have in place, over the full extent of the product life cycle, to ensure that appropriate sales behaviour has occurred, which is evidenced by their strong focus on the "three cs: cancellations, claims, and complaints."

Martin Boyle emphasized that if a situation came to light where a consumer was enrolled in CPI that he/she was not eligible to make a claim on, that would not be an example of post-claims underwriting but rather a case of a defect in the original sales process. There could be two causes, he noted, one of which was an inappropriate sales process, and the other incorrect information provided at the time of sale by the customer. In either case, the situation is best addressed at the point of sale.

A follow-up FCAC question was how could it be that post-claims underwriting was not occurring if a customer could obtain insurance without being asked any health-related questions at the time of application. Chris Lobbezoo explained that if a customer was accepted into the CPI group policy without questions being asked, then there was acceptance on the part of the insurer/underwriter and the distributor that some of the customers may have pre-existing medical conditions, and that would lead to any resulting claims from such insureds being paid despite their having a pre-existing medical condition.

Chris Lobbezoo also advised that CPI is a simple insurance product which is geared to younger, middle class consumers. And over time, as a person accumulates assets and increases his/her net worth, he or she may "outgrow" the main utility/value proposition of CPI and graduate to other insurance products. Ms. Frick said that that explanation made sense to her and she appreciated the clarification.

There was discussion about the importance of communicating with consumers in simple and plain language, and about the balance and fine line between that and the need to have legal language that protects both insurers and customers.

Dana Easthope emphasized that CAFII members are not allowed to provide consumers with advice in offering them optional CPI insurance coverage as an Authorized Insurance Product, and the point was made several times that a "suitability" test is not deployed with respect to CPI, but rather an "eligibility" test is.

In that connection, Ms. Frick shared the insight that imminent new legislation which will empower the FCAC will use the concept of "appropriateness" of products, and related nomenclature, rather than the "suitability" of products; and she added that CAFII members would need to be able to demonstrate that they were complying with expectations related to "appropriateness."

Brendan Wycks noted that FCAC Commissioner Judith Robertson's Communications/Events Officer, with whom he had recently been dealing, had indicated that the Commissioner's upcoming 26 March, 2019 speech at the CAFII Annual Members' Luncheon would include comments on suitability. Ms. Frick jokingly replied that "the Commissioner can talk about whatever she wants to talk about," but the legislation in question would reference "appropriateness" of banking products and not suitability.

Brendan Wycks also noted that CAFII had undertaken a new strategic priority in recent years of responding to "urban myths" and false arguments about CPI – such as post-claims underwriting, or the claim CPI is only for the benefit of the bank, etc. -- which had long been propagated by the broker and advice-based distribution channel; and CAFII's initiatives in this area included independent consumer research, media releases, and information on the Association's website.

Ruth Stephen advised that the mandate letter for Canada's new Minister of Innovation, Science and Industry included a new role around serving as a Consumer Advocate. The details of that new Consumer Advocate role were still being worked out, including what role the FCAC would play in this, at least with respect to financial institutions[1].

CAFII representatives asked the FCAC what was next in terms of the Agency's near-term priorities. Teresa Frick replied that further, follow-up work arising from the FCAC's recently issued report on banks' complaints processes, complaint escalations, and related third party ombudservices was an immediate priority; and that individualized supervisory letters would be sent shortly to each CAFII member FI and other FRFIs arising from that review and report.

Brendan Wycks asked Ruth Stephen what research projects the FCAC was planning in the foreseeable future. Ms. Stephen replied that the Agency would be focusing on consumer financial literacy-related research, and research related to educating consumers. Digitization in the financial services sector and implications for consumers' digital financial literacy were also of research interest to the FCAC.

Overall, the Q&A session dialogue was marked by a high degree of engagement and the FCAC participants seemed genuinely interested in the information and insights being conveyed and discussed.

In concluding the meeting, Brendan Wycks asked whether the FCAC would be interested in having such information-sharing and dialogue meetings with CAFII on a periodic but regular basis, at least annually and perhaps semi-annually.

Ruth Stephen replied on behalf of the FCAC (Teresa Frick apologetically had to depart from the meeting five minutes early) that she saw much value in what CAFII was proposing, and she agreed that we should definitely plan to have such meetings on a periodic, regular basis.

[1] The 13 December, 2019 Mandate Letter from the Prime Minister states: *"With the support of the Minister of Middle Class Prosperity and Associate Minister of Finance and the Minister of Seniors, create a new Canadian Consumer Advocate to ensure a single point of contact for people who need help with federally regulated banking, telecom or transportation-related complaints. Ensure that complaints are reviewed and, if founded, that appropriate remedies and penalties can be imposed."* The mandate letter can be viewed at: https://pm.gc.ca/en/mandate-letters/2019/12/13/minister-innovation-science-and-industry-mandate-letter

Creditor Insurance Landscape in Canada

The following illustrates the scope of creditor insurance offerings in Canada across the Canadian banks that are members of CAFII.

Some consumer offerings include available 'bundles' of insurance (e.g. life + CI bundled as part of a combined offering). This varies by bank and underlying financial instrument (i.e. Mortgages, Personal Lines of Credit, Personal Loans).

For each type of underlying financial instrument, we have detailed:

- The types of creditor protection available (Life, Critical Illness (CI), Disability and Job Loss (or Loss of Employment Insurance))
- The underwriters supporting such offerings

	Mortgage				Personal Line of Credit				Personal Loan			
	Life	CI	Disability	Job Loss	Life	CI	Disability	Job Loss	Life	CI	Disability	Job Loss
Bank of Montreal	SL	SL	SL	SL	SL	SL	SL	SL	SL	-	SL	-
CIBC	CL	CL	CL	CL	CL	-	CL	-	CL	-	CL	CL
National Bank	AVBN	AVBN	AVBN	-	AVBN	AVBN	AVBN	-	AVBN	AVBN	AVBN	-
Royal Bank	CL	CL	CL	-	CL	CL	CL	-	CL	CL	CL	-
Scotiabank	CL	CL	SL	-	CL	CL	SL	-	CL	CL (auto loans only)	CL	CL (auto loans only)
TD	CL	CL	-	-	CL	CL	-	-	CL	-	CL	-

Underwriter Acronyms: AVBN-Assurance Vie Banque Nationale; CL-Canada Life; SL-Sun Life

Mortgage Insurance

Key features of Mortgage Creditor Insurance in Canada:

- ✓ Mortgage Creditor Life insurance is available through all banks
- ✓ Critical Illness coverage is offered by all banks and typically bundled with Life coverage. Only one bank offers this on a standalone basis.
- ✓ Job Loss and Disability coverage deemed optional ‘add-ons’ where both coverage types may not necessarily be offered by a particular bank
- ✓ All banks offer a 30-day ‘trial period’ (i.e. premium refunded if customer cancels within the first 30 days)
- ✓ **Age Eligibility:** Assessed at the product level (Life, CI, Disability, Job Loss), but generally 18 – 64 with a maximum termination age of 70. Some banks restrict age eligibility for CI and Job Loss products to a maximum of age 54 or 55.

<u>**Life Insurance**</u>

- **Benefit Payable:** Outstanding balance on death, up to an **overall maximum** (ranges from $500,000 to $1,000,000; median of $750,000)
- **Medical pre-existing condition exclusions approach differs by bank.** Amongst CAFII participants:
  - Two banks <u>do not</u> apply a pre-existing condition exclusion;
  - Two banks apply an exclusion <u>only when mortgages are refinanced</u> (whole amount or additional amount);
  - One bank applies exclusion <u>only if the insured person was not required to answer any health questions on application</u>;
  - One bank applies a pre-existing condition <u>to all participants</u>.

<u>**Critical Illness Insurance**</u>

- **Benefit Payable:** Outstanding mortgage balance at the date of diagnosis of a covered critical illness, up to an **overall maximum** (generally $125,000 to $500,000; median of $475,000; one bank is an outlier with a maximum of $1 M.
- **Covered Illnesses:** The illnesses typically covered are cancer, heart attack and stroke.

<u>**Disability Insurance**</u>

- **Positioning of offerings:** With the exception of one participant, all offer Disability insurance on mortgages. Two approaches: (i) Two banks bundle the offering with life insurance; (ii) Three banks offer it as a standalone product.
- **Benefit Payable:** Monthly mortgage payment, generally for up to 24 months. Total dollar maximum payment of $2,000 to $3,500; median $3,000
- **Waiting Period:** Benefits payable after a waiting period which typically is 60 consecutive days; One bank has a 30-day waiting period

<u>**Loss of Employment / Job Loss Insurance**</u>

- **Positioning of Offerings**: Only two banks offer this protection, on a bundled basis with Disability protection
- **Benefit Payable:** Monthly mortgage payment for up to 6 months, up to a maximum dollar amount of $3,000
- **Waiting Period:** Benefits payable after a waiting period of 60 days

Personal Line of Credit Insurance

Key features of Personal Line of Credit Insurance in Canada:

- ✓ Life insurance is included in scope of all product offerings
- ✓ Critical Illness is offered by all but one CAFII participant bank, and is always bundled with life insurance.
- ✓ Disability insurance is offered by all but one CAFII participant bank. Banks are split between bundling this with life insurance, or offered on a standalone basis.
- ✓ Only one bank offers Job Loss insurance.
- ✓ All banks offer a 30-day ‘trial period’ (i.e. premium refunded if cancelled within 30 days)
- ✓ **Age Eligibility:** Assessed at the product level (Life, CI, Disability, Job Loss), but generally 18 – 64 with a maximum termination age of 70. Some banks restrict age eligibility for CI and Job Loss products to a maximum of age 54 or 55.

Life Insurance

- **Benefit Payable:** Outstanding balance on death, up to an **overall maximum** (typically ranging from $300,000 to $1,000,000; median $600,000).
- **Medical Pre-existing Exclusion:** All banks have some t**ype of Pre-existing condition exclusion**
- **Non-evidence Maximum:** For all banks, approval for coverage is automatic up to a prescribed threshold (no health questions required) that ranges from $50,000 to $150,000

Critical Illness Insurance

- **Benefits Payable:** Outstanding balance at date of diagnosis of a critical illness, up to a **maximum** of $300,000 to $1,000,000; median $450,000).
- **Covered Illnesses:** The illnesses typically covered are cancer, heart attack and stroke.

Disability Insurance

- **Benefits Payable:** Monthly payment, generally up to 24 months and a dollar maximum of $1,500 to $5,000 (median of $3,000)
- **Waiting Period:** Benefits payable after a waiting period which typically is 60 consecutive days; one bank with a 30-day waiting period

Loss of Employment / Job Loss Insurance

- **Benefits Payable:** M**onthly** payment for up to 6 months, to maximum of $1,500 (revolving LOC) or $3,000 (instalment LOC)
- **Waiting Period:** Monthly benefits are payable after a waiting period of 60 days

Personal Loan Insurance

Key features of Personal Loan Insurance in Canada:

- ✓ Life insurance is included in scope of all product offerings
- ✓ Critical Illness is offered by three CAFII participant banks, and is always bundled with life insurance.
- ✓ Disability insurance is offered by all CAFII participant banks. Banks are split between bundling this with life insurance, or offered on a standalone basis.
- ✓ Two banks offer Job Loss insurance.
- ✓ All banks offer a 30-day 'trial period' (i.e. premium refunded if cancelled within 30 days)
- ✓ **Age Eligibility:** Assessed at the product level (Life, CI, Disability, Job Loss), but generally 18 – 64 with a maximum termination age of 70. Some banks restrict age eligibility for CI and Job Loss products to a maximum of age 54 or 55.

Life Insurance

- **Benefit Payable:** Outstanding balance on death, up to an **overall maximum** (typically ranging from $150,000 to $500,000; median $250,000).
- **Medical Pre-existing Exclusion:** All banks have some t**ype of Pre-existing condition exclusion**
- **Non-evidence Maximum:** Amongst CAFII participants:
  - Three banks do not require a health questionnaire (automatic approval regardless of amount);
  - One bank provides automatic approval on amounts $100,000 or less;
  - One bank provides automatic approval on amounts $300,000 or less;
  - One bank provides automatic approval on amounts $50,000 or less and under age 55;

Critical Illness Insurance

- **Benefits Payable:** two banks pay the outstanding balance at date of diagnosis of a critical illness, up to a **maximum** of $150,000 or $500,000; whereas one bank pays a monthly benefit payment of up a maximum of $3,500.
- **Covered Illnesses:** The illnesses typically covered are cancer, heart attack and stroke.

Disability Insurance

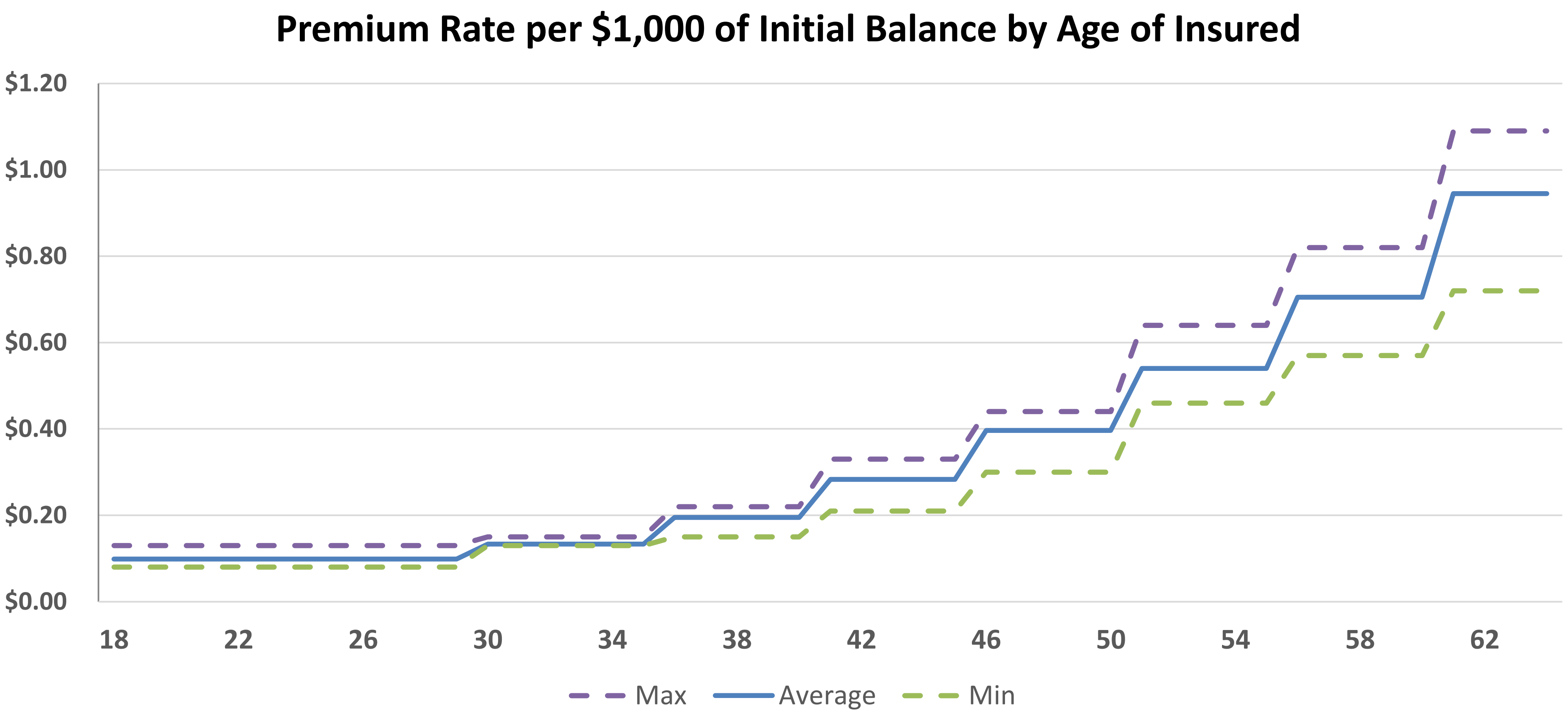
- **Benefits Payable:** typically pays the monthly payment, generally up to 24 months and a dollar maximum of $1,500 to $3,000 (median of $2,000), however two banks do no have a maximum monthly limit, but rather an overall maximum limit of $150,000 or $200,000.
- **Waiting Period:** Benefits payable after a waiting period which typically is 30 or 60 consecutive days (market is split)

Loss of Employment / Job Loss Insurance

- **Benefits Payable:** One bank pays the interest payable on the loan until the person is no longer eligible for job loss benefits up to a maximum of 6 months; one bank pays the monthly payment for up to 6 months, to maximum of $3,500.
- **Waiting Period:** Benefits are payable after a waiting period of 30 or 60 days

Premium Rates – Mortgage Life Insurance (per $1,000 of initial balance)

The cost of creditor insurance is generally pennies for each dollar of coverage. The following provides an illustration of the distribution of creditor insurance premium charges for Mortgage Life insurance per $1,000 of initial mortgage balance, based on six CAFII bank participants:



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Credit Protection Insurance

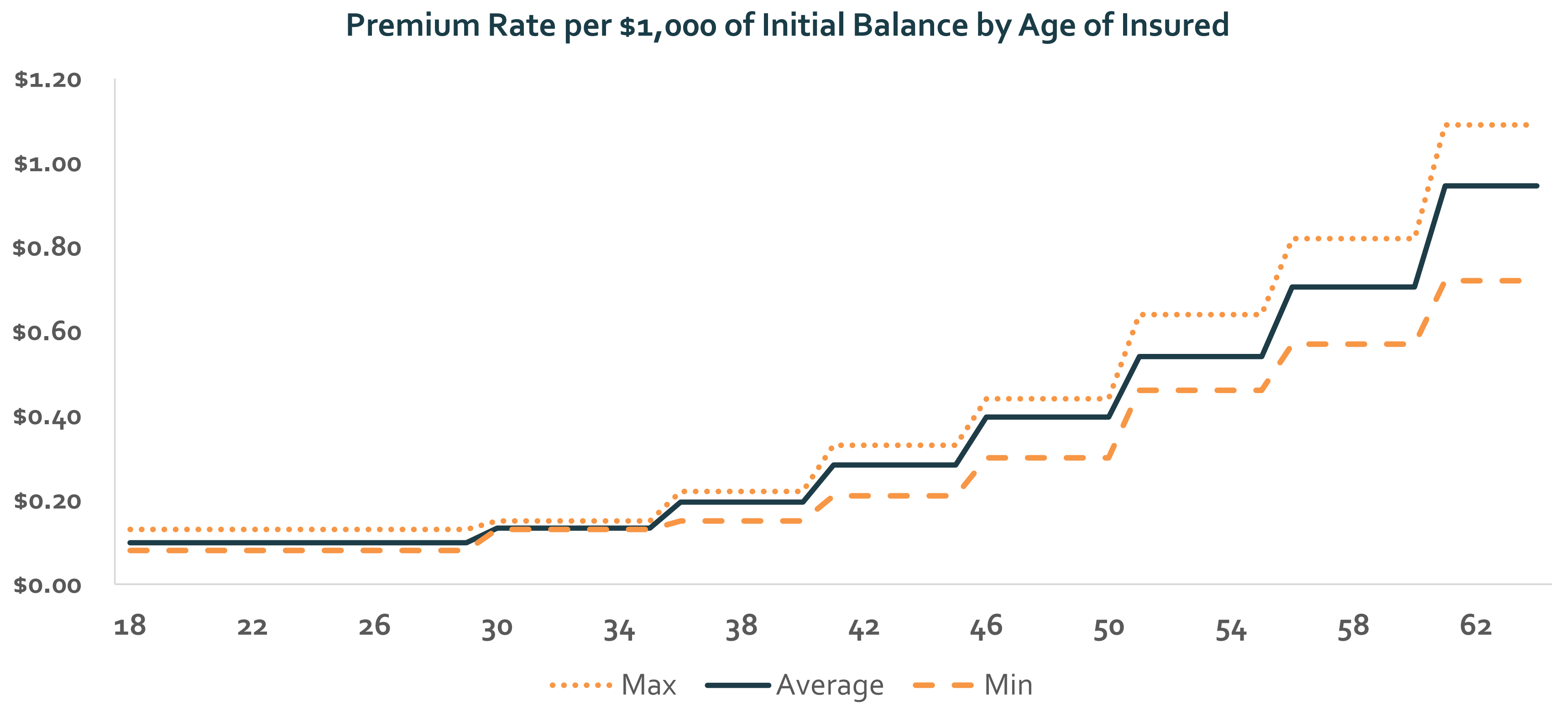
Offered by CAFII Members

Making insurance simple and accessible for Canadians

Rendre l'assurance simple et accessible pour les Canadiens

Premium rates: mortgage life insurance

Life insurance per $1,000 of initial mortgage balance, based on six CAFII bank participants



Source: Willis Towers Watson Creditor Insurance Survey 2019

Creditor insurance landscape in Canada

Type of protection available & supporting underwriters

	Mortgage				Personal Line of Credit				Personal Loan			
	Life	Critical illness	Disability	Job loss	Life	Critical illness	Disability	Job loss	Life	Critical illness	Disability	Job loss
Bank of Montreal	SL	SL	SL	SL	SL	SL	SL	SL	SL	-	SL	-
CIBC	CL	CL	CL	CL	CL		CL	-	CL	-	CL	CL
National Bank	AVBN	AVBN	AVBN	-	AVBN	AVBN	AVBN	-	AVBN	AVBN	AVBN	-
Royal Bank	CL	CL	CL	-	CL	CL	CL	-	CL	CL	CL	-
Scotiabank	CL	CL	SL	-	CL	CL	SL	-	CL	CL (auto loans only)	CL	CL (auto loans only)
TD	CL	CL	-	-	CL	CL	-	-	CL	-	CL	-

AVBN Assurance Vie Banque Nationale

CL Canada Life

SL Sun Life

Source: Willis Towers Watson Creditor Insurance Survey 2019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Appendix

*The information on slides 38-54 is sourced from Willis Towers Watson Credit Insurance Survey (2019)

Creditor insurance by type

Mortgage creditor insurance in Canada

Mortgage creditor insurance in Canada

Key features

- Mortgage Creditor Life insurance is available through all banks
- All banks offer a 30-day 'trial period' (i.e. premium refunded if customer cancels within the first 30 days)
- Critical Illness coverage is offered by all banks and typically bundled with Life coverage. Only one bank offers this on a standalone basis.
- Job Loss and Disability coverage deemed optional 'add-ons' where both coverage types may not necessarily be offered by a particular bank
- **Age Eligibility:** Assessed at the product level (Life, CI, Disability, Job Loss), but generally 18 – 64 with a maximum termination age of 70. Some banks restrict age eligibility for CI and Job Loss products to a maximum of age 54 or 55.

Mortgage creditor insurance in Canada

Life insurance

Benefits payable

Outstanding balance on death, up to an overall maximum (ranges from $500,000 - $1,000,000; median of $750,000)

Among CAFII participants

Two banks **do not** apply a pre-existing condition exclusion

- Two banks apply an exclusion **only when mortgages are refinanced** (whole amount or additional amount)
- One bank applies exclusion **only if the insured person was not required to answer any health questions on application**
- One bank applies a pre-existing condition **to all participants**

*Medical pre-existing condition exclusions approach differs by bank.

Mortgage creditor insurance in Canada

Critical illness insurance

Benefits payable

Outstanding mortgage balance at the date of diagnosis of a covered critical illness, up to an **overall maximum.** Generally \$125,000 - \$500,000; median of \$475,000; one bank is an outlier with a maximum of \$1 M.

Covered illness

The illnesses typically covered are cancer, heart attack and stroke.

Mortgage creditor insurance in Canada

Loss of employment / job loss insurance

Positioning of offerings

Only two banks offer this protection,
on a bundled basis with Disability protection

Benefits payable

Monthly mortgage payment for up to 6 months,
up to a maximum dollar amount of $3,000

Waiting period

Benefits payable after a waiting period
of 60 days

Creditor insurance by type

Personal line of credit insurance in Canada

Personal line of credit insurance in Canada

Key features

- Life insurance is included in scope of all product offerings
- Critical Illness is offered by all but one CAFII participant bank and is always bundled with life insurance.
- **Age Eligibility:** Assessed at the product level (Life, CI, Disability, Job Loss), but generally 18 – 64 with a maximum termination age of 70. Some banks restrict age eligibility for CI and Job Loss products to a maximum of age 54 or 55.
- All banks offer a 30-day 'trial period' (i.e. premium refunded if cancelled within 30 days)
- Disability insurance is offered by all but one CAFII participant bank. Banks are split between bundling this with life insurance or offered on a standalone basis.
- Only one bank offers Job loss insurance.

Personal line of credit insurance in Canada

Life insurance

Benefits payable	Outstanding balance on death, up to an **overall maximum** (typically ranging from $300,000 to $1,000,000; median $600,000)
Medical pre-existing exclusion	All banks have some **type of Pre-existing condition exclusion**
Non-evidence maximum	For all banks, approval for coverage is automatic up to a prescribed threshold (no health questions required) that ranges from $50,000 to $150,000

Personal line of credit insurance in Canada

Critical illness insurance

Benefits payable

Outstanding balance at date of diagnosis of a critical illness, up to a **maximum** of $300,000 to $1,000,000; median $450,000)

Covered illness

The illnesses typically covered are cancer, heart attack and stroke

Personal line of credit insurance in Canada

Disability insurance

Benefits payable	Monthly payment, generally up to 24 months and a dollar maximum of $1,500 to $5,000 (median of $3,000)
Waiting period	Benefits payable after a waiting period which typically is 60 consecutive days; one bank with a 30-day waiting period

Personal line of credit insurance in Canada

Loss of employment / job loss insurance

Benefits payable	**Monthly** payment for up to 6 months, to maximum of $1,500 (revolving LOC) or $3,000 (instalment LOC)
Waiting period	Monthly benefits are payable after a waiting period of 60 days

Creditor insurance by type

Personal loan insurance in Canada

Personal loan insurance in Canada

Key features

- Life insurance is included in scope of all product offerings
- All banks offer a 30-day 'trial period' (i.e. premium refunded if cancelled within 30 days)
- Critical Illness is offered by three CAFII participant banks and is always bundled with life insurance.
- Disability insurance is offered by all CAFII participant banks. Banks are split between bundling this with life insurance or offered on a standalone basis.
- **Age Eligibility:** Assessed at the product level (Life, CI, Disability, Job Loss), but generally 18 – 64 with a maximum termination age of 70. Some banks restrict age eligibility for CI and Job Loss products to a maximum of age 54 or 55.
- Two banks offer Job Loss insurance.

Personal loan insurance in Canada

Life insurance

Benefits payable

Outstanding balance on death, up to an **overall maximum** (typically ranging from $150,000 to $500,000; median $250,000)

Medical pre-existing exclusion

All banks have some type of **Pre-existing** condition exclusion

Non-evidence maximum

Amongst CAFII participants:

- Three banks do not require a health questionnaire (automatic approval regardless of amount);
- One bank provides automatic approval on amounts **$100,000 or less;**
- One bank provides automatic approval on amounts **$300,000 or less;**
- One bank provides automatic approval on amounts **$50,000 or less and under age 55;**

Personal loan insurance in Canada

Critical illness insurance

Benefits payable

Two banks pay the outstanding balance at date of diagnosis of a critical illness, up to a maximum of $150,000 or $500,000; whereas one bank pays a monthly benefit payment of up to a **maximum** of $3,500

Covered illnesses

The illnesses typically covered are cancer, heart attack and stroke

Personal loan insurance in Canada

Disability insurance

Benefits payable

Typically pays the monthly payment, generally up to 24 months and a dollar maximum of $1,500 to $3,000 (median of $2,000), however two banks do no have a maximum monthly limit, but rather an overall maximum limit of $150,000 or $200,000

Waiting period

Benefits payable after a waiting period which typically is 30 or 60 consecutive days (market is split)

Personal loan insurance in Canada

Loss of employment / job loss insurance

Benefits payable	One bank pays the interest payable on the loan until the person is no longer eligible for job loss benefits up to a maximum of 6 months; one bank pays the monthly payment for up to 6 months, to maximum of $3,500
Waiting period	Benefits are payable after a waiting period of 30 or 60 days

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Agenda Item 6(b)(1)
March 24/20 EOC Teleconference Meeting

Summary Report, Analysis, and Insights Gained From February 11/20 CAFII Meeting With The AMF

On Applicability Of The Regulation respecting Alternative Distribution Methods

To Credit Card-Embedded Insurance Benefits

Background
CAFII met with AMF officials in Quebec City on 11 February, 2020 to discuss the apparent AMF position that the Regulation respecting Alternative Distribution Methods (RADM) applies to credit card-embedded insurance benefits.

Participants

From the AMF
Mario Beaudoin, Directeur des pratiques de distribution alternatives en assurance (Director of Alternative Distribution Practices in Insurance)—*reports to Louise Gauthier – who reports to Frédèric Pérodeau*
Isabelle Berthiaume, Directrice de la surveillance prudentialle des assureurs (Director of Prudential Supervision of Insurers) – *reports to Nathalie Sirois – who reports to Patrick Déry*
Sharon Boucher, Analyst on Mario Beaudoin's team—took notes at the meeting

From CAFII
Isabelle Choquette, Desjardins Financial Security
Alain Camirand, TD Insurance
Karyn Kasperski, RBC Insurance
Rob Dobbins, Assurant
Martin Boyle, BMO Insurance (on the phone)
Brendan Wycks, CAFII
Keith Martin, CAFII

Key Takeaways

- The AMF's view is that any and all forms of insurance offered or otherwise provided to Quebec consumers have to be regulated. Insurance must either be offered through licensed agents, or be subject to the Regulation respecting Alternative Distribution Methods (RADM). **As a result, it is the view of the AMF that credit card-embedded insurance benefits are subject to the provisions of the RADM.**
- The AMF is aware that there are "challenges" in terms of credit card-embedded coverages and "how to make it fit" into the RADM, and the AMF wants to be "flexible" in how the RADM applies to this product. However, all the provisions of the RADM must apply.

- The AMF did say that the long-term solution is to look at possible modifications to the Regulation, but such changes take a long time and Mr. Beaudoin did not think that was something that would happen in the near future.
- When asked if the AMF could indicate that it would not enforce the RADM for this product, Mario Beaudoin said the AMF could not do that.
- When asked if a delay could be provided in the application of the RADM for this product, Mario Beaudoin said the AMF could not do that.
- The AMF said that the RADM unfortunately does not include "carve out" or waiver provisions which would allow the AMF to make exceptions to or interpretations with respect to the applicability of the Regulation, which removes any possibility of the AMF providing an exception to the application of the Regulation in this case.
- The AMF was asked to issue an official statement to the industry to communicate its position that the RADM does indeed apply to credit card-embedded insurance benefits. Mario Beaudoin said that the AMF was in a period of "open discussion on this emerging issue" with the industry on this issue and therefore would not provide such a written statement until those discussions have produced results.
- Mario Beaudoin asked CAFII/the industry to provide its views on how the RADM's application to credit card-embedded insurance benefits can be implemented, stressing that "creative solutions" are always possible. He asked CAFII to respond fairly quickly to this request for compliance action suggestions and related timelines, perhaps within a month (subsequently altered to "six to eight weeks" when CAFII representatives did not respond favourably to his initial suggestion). Without agreeing to anything, CAFII responded that a one-month timeline would definitely not be possible, but we could provide, within a reasonably prompt timeframe, our timelines for responding to this AMF request.

<u>Detailed Summary</u>

After Keith Martin delivered a CAFII Opening Statement on why our Association believes that the RADM is not applicable to credit card-embedded insurance benefits, Mario Beaudoin said that the AMF was aware of this issue, knew that it had caused considerable "background noise," and added that it had been the subject of considerable internal discussion at the AMF. However, at the end of the day, Mr. Beaudoin asserted all forms and types of insurance which are offered or otherwise provided to Quebec consumers must be regulated, either by being offered by a licensed agent, or by being subject to the Regulation respecting Alternative Distribution Methods. **For credit card-embedded insurance benefits, the AMF's view is that the RADM fully applies.**

But Mr. Beaudoin then added that while he "could not make promises," the AMF realized that there were some real challenges in applying some of the provisions of the RADM to credit card-embedded insurance benefits. The AMF was open, he said, to the industry's making some interpretation proposals as to how the Regulation applies to credit card-embedded insurance benefits, to its offering creative solutions, and to its recommending some adjustments to the application of the RADM to this product line.

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It is important to emphasize, in the interests of avoiding repetition, that this was a consistent theme from Mr. Beaudoin throughout the meeting: "we realize that the RADM is challenging to apply to credit card-embedded insurance benefits, but apply it does. We invite you to suggest to us some creative ways to comply with the Regulation for these products." He said "I am not making an ultimatum," but he also said that the AMF would not agree to not enforce the RADM for credit card-embedded insurance benefits.

But while the theme of "flexibility" was a consistent one in Mr. Beaudoin's comments, he also reiterated a number of times that the Regulation does not have a "carve out" or waiver that would allow the AMF to provide an exception or exemption from the RADM; that the Regulation in its entirety applies in the case of credit card-embedded insurance benefits; and that the Fact Sheet and a Product Summary must be provided to consumers at point of sale (i.e. when the consumer is applying for/securing a credit card). Mr. Beaudoin did say that these disclosure documents could be provided on a website, so long as the customer was asked if he/she agreed to not have them provided at the time that he/she is applying for or considering a particular credit card. However, the customer must be informed of these disclosure documents before they are approved for or granted a credit card with embedded insurance benefits. Customers, he said, need to know what they are buying before the sale is made.

Mr. Beaudoin said that he believes that customers have the right to cancel insurance. Given his statement as well about how there are no exceptions or carve out provisions in the Regulation, this implies that he believes customers should be able to cancel credit card-embedded insurance coverages, even though we repeated that they could not.

Mr. Beaudoin also say the potential for other segments to manipulate the system if the regulations did not apply to embedded insurance, for example other financial services could be embedded with other products to avoid regulatory burden and oversight.

Mr. Beaudoin said that the Product Summary was a disclosure document which industry players would be producing themselves, and in this document there could perhaps be content which explains how a customer should interpret the Fact Sheet in the case of credit card-embedded insurance benefits. For example, where the Fact Sheet indicates that if a consumer cancels the insurance, his/her premium will be refunded, the Product Summary could state that the premium refund would be zero because the customer did not pay any premium for their credit card-embedded insurance benefits.

The AMF did say that the long-term solution is to look at possible modifications to the Regulation, but such changes take a long time and Mr. Beaudoin did not think that was something that would happen in the near future. Mr. Beaudoin laughed that ten years ago he was told that the new regime on alternative distribution would be introduced, and every year after that its implementation was expected to be imminent; regulatory and legislative changes do not occur quickly and so alternative solutions need to be found in the meantime.

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Mr. Beaudoin said that the "good news" was that in the case of Authorized Insurance Products (which include travel insurance and the other types of insurance typically offered as a credit card-embedded benefit), federal legislation (federal Bank Act; and the Insurance Business (Banks and Bank Holding Companies) Regulations) provides for exceptions to the provincial prohibition on selling insurance without a license. And based on audits it has done, the AMF feels that CAFII members and the bancassurance industry meet these exceptions appropriately; and, as such, credit card-embedded insurance benefits are being offered legally in Quebec. He specifically said that recent AMF research has revealed that across Canada, there are about 300 different credit cards being offered with some form of embedded insurance benefit. The AMF has done a review of those 300 different credit cards to ensure their compliance with existing statutes, and that it was satisfied with the results.

Mr. Beaudoin made a reference to a personal situation which he said had alerted him to the importance of full disclosure and ensuring that customers understand what they are obtaining. The reference was to a relative who had died, and his surviving spouse then had to cancel her late husband's credit card and obtain a new one for herself. That new credit card included travel insurance, but she was over 75 years of age and therefore not eligible for that embedded insurance benefit. Mr. Beaudoin asserted that it is critical for a credit card applicant to be aware of such exclusions and limitations, otherwise he/she may travel, get sick, and only then find out they are not eligible and not covered, leading to an undesirable situation all around, and precisely the sort of consumer outcome that the AMF wishes to avoid.

Keith Martin responded by saying that CAFII members make every effort to ensure that individuals are aware of what is and what is not covered under all forms of insurance that they provide to consumers, including explicit disclosures. CAFII member financial institutions, he said, are built on trust, and reputation is central and foundational to them. Mr. Martin added that disclosure, which is a key reason for which the AMF appears to feel that the RADM should apply to all insurance, including credit card-embedded insurance benefits, should not be an issue because all CAFII members who provide insurance have full disclosure on their websites of what the insurance covers, and its exclusions and limitations.

Mario Beaudoin countered this argument by saying that he recognized that such disclosure occurred, and therefore the existing disclosure by financial institutions was not far off from what the AMF expects with respect to the RADM's applicability to credit card-embedded insurance benefits; it should not be so difficult therefore for CAFII members to comply with the AMF's RADM-based expectations for this product line.

Keith Martin asked if the AMF could -- given that it seems clear that credit card-embedded insurance benefits were not contemplated and factored into the RADM's design and provisions -- issue a Guidance stipulating that it would not enforce the RADM for this type of insurance. Mr. Beaudoin said that the AMF was not prepared to do that. Mario Beaudoin said that the AMF was in a period of "open discussion on this emerging issue" with the industry on this issue and therefore would not provide such a written statement until those discussions have produced results. The use of the term "emerging issue" is interesting and may suggest that the AMF missed this issue in the development of the Regulation, and is looking for the industry to backfill compliance.

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Keith Martin then asked if the AMF could issue a Guidance stipulating that it would delay the RADM's application to credit card-embedded insurance benefits until a review/consultation with the industry around the RADM's application to this product line could be conducted. On this as well, Mr. Beaudoin said the AMF would not consider such a measure, for the same reasons.

Karyn Kasperski, RBC Insurance, intervened at this point, and made an impactful statement about an actual face-to-face, in-person scenario, at a financial institution branch, in which a consumer is seeking "to obtain credit" in the form of a credit card. In such a common scenario, she said, the request for and granting of credit is the primary focus of the discussion between the financial institution and the customer, but if that credit card comes with embedded insurance benefits, the AMF's insistence that the RADM applies would force the conversation to have to pivot to one about insurance, which would be confusing and not consumer-friendly because insurance is not at all what is motivating the customer to have the discussion with the financial institution in the first place.

Mr. Beaudoin said that the Regulation was in place and it was no easy matter to change it. He acknowledged that there were issues in its application to credit card-embedded insurance benefits. In an interesting statement, he said "it is hard to be flexible when you are holding a two-by-four." This could be interpreted as a threat, but it could equally be interpreted to mean that the Regulation is set in stone and difficult to modify.

As the discussion continued, Martin Boyle, who monitored and participated in the meeting via teleconference, said on two occasions that he felt it was important not to focus too much of the conversation on examples within the Regulation that may cause difficulties, but instead to focus on the central issue, which was that the RADM does not apply to credit card-embedded insurance benefits. Mr. Boyle further reiterated that it was important to address whether or not regulation –by limiting its scope to "offers"—actually captures embedded insurance. In both instances, Mr. Beaudoin simply said he believed it did and redirected the conversation to solutioning for examples of issues within the Product Summary and Fact Sheet. Mario Beaudoin repeatedly restated that the AMF's position is that the RADM does apply, and he focused conversation on the AMF's desire to have the industry come back with practical and creative solutions on how it can put the RADM's provisions and expectations into effect in the case of credit card-embedded insurance benefits.

At one point, Mr. Beaudoin said that if credit card-embedded insurance benefits were not covered by the Regulation, then it could be suggested that the customer was being obligated to take the embedded insurance benefits in order to get the credit card, and this could be viewed as "tied selling" which was illegal. He did not pursue this argument any further, however, and did not elaborate on it.

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Brendan Wycks asked Mr. Beaudoin what would be the AMF's view if some industry players determined that complying with the RADM's provisions in the case of credit card-embedded insurance benefits would be too onerous; and they therefore decided that they would no longer include insurance benefits in the credit cards which they offer to o Quebeckers, which would create a situation in which Quebeckers receive a lesser value proposition from their credit cards, for the exact same annual fee and other terms, as compared to consumer in other provinces and territories. Mr. Beaudoin replied that credit card issuers and their insurer partners could proceed as they wish; and that if that scenario does become an outcome due to the fact that the RADM must apply to all forms and types of insurance, so be it.

It was clear from statements made during the meeting that Mr. Beaudoin does not believe that the fact that the premium for credit card-embedded insurance benefits is paid by the financial institution to the insurer is a relevant consideration in terms of whether or not the RADM applies. In that connection, Rob Dobbins referred back to CAFII's Opening Statement about why the RADM should not apply to card-embedded insurance benefits, emphasizing that the premium is not paid by the cardholder; rather, it is paid by the credit card issuer/distributor to the insurer. This was important to reiterate because Mr. Beaudoin said at several points during the meeting that the cardholder must indirectly be paying for the premium, which is relevant to his position that the RADM applies. We strongly refuted this notion that cardholders were indirectly paying the premium. Separately, we also emphasized again that the wording of the AMF's Fact Sheet would be misleading and confusing for consumers with respect to credit card-embedded insurance benefits. Mr. Beaudoin did not comment on either point.

Alain Camirand said that even if creative solutions could be found around explaining the wording of the Fact Sheet with respect to credit card-embedded insurance benefits, at the end of the day that would not be a good outcome for consumers, who would be confused by the wording of the Fact Sheet and some of its statements, for example around cancellation, which simply did not apply in this case. While much of the discussion was around operational issues, and these were real, Mr. Camirand said that the bigger issue was that this direction would lead "to a bad customer experience." Mr. Beaudoin did not comment on that point.

Brendan Wycks asked if it would be possible for the AMF to issue an Addendum to the Fact Sheet which would clarify that some of its provisions were not relevant/applicable to credit card-embedded insurance benefits. In response, Mario Beaudoin expressed skepticism about the AMF's ability/willingness to alter the Fact Sheet, even via a clarifying Addendum, as it was mandated in the Regulation, but yet he invited CAFII/the industry to propose practical solutions for the AMF's consideration.

Mr. Beaudoin said at one point that by meeting with CAFII, whose members included the big banks and Desjardins, the AMF was covering the entire universe of the industry players impacted by this situation, and we explained that that was not the case, aw there were other players—such as retailers with credit cards, Laurentian Bank of Canada, and American Express—which would be impacted by this file, and who were not currently CAFII members.

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Body Language and Tone

The meeting was cordial, professional, and generated good dialogue and exchange of viewpoints. Mario Beaudoin was very much the lead discussant for the AMF, as the other two participants said virtually nothing. Mr. Beaudoin was clearly well-prepared, and familiar with the positions that CAFII was advancing. He was, as is his nature, very talkative, and very articulate. He was also very gracious and interactive, but unbending. It was clear that the key messages which the AMF intended to deliver to CAFII in the meeting had been pre-discussed and well-rehearsed.

Analysis

The AMF consulted on the development of the RADM for years; and in that time, CAFII has no recollection of the regulator ever indicating that the RADM would apply to credit card-embedded insurance benefits. The industry generally was always of the view that the RADM did not apply to this product line, but avoided drawing attention to the issue out of concern that doing so would lead to undesirable outcomes from the AMF.

The RADM is structured in a way that is problematic in terms of applying it to credit card-embedded insurance benefits. If the AMF had originally considered that the Regulation applied to these product lines, it would have developed the Regulation in a way that made its application to embedded insurance coverages practical. Therefore, it seems plausible that if the AMF had developed the RADM with the expectation that it would apply to credit card-embedded insurance benefits, it would have created a second, appropriately worded Fact Sheet, and made other customizing provisions.

So it is reasonable to interpret the current situation as something the AMF itself now views as problematic, and the regulator is now asking the industry to engage in helping solve the problem. An alternative interpretation is that the AMF may have wished to avoid raising the issue during the original consultations, therefore deferring it, and is now dealing with the consequences.

However, what cannot be disputed is that there was absolutely no consultation with the industry on this issue; and, setting aside for a moment the view that the RADM does not apply to this product line, the provisions of the RADM do not work in a practical way, and the AMF appears to now be asking the industry to find solutions to a seemingly intractable problem. Another explanation for the approach they are taking is that the AMF has been criticized for not having consulted the industry before they issued an enforcement letter on the recent "spousal issue." They may be reaching out to industry for its views prior to engaging in enforcement, based on learnings from the "spousal issue" and their desire to proceed differently this time.

It is also important to keep in mind that the AMF has, at this time, refused to issue an official communique/declaration on its position that the RADM applies to credit card-embedded insurance benefits, its formal reasoning for this position, and its related expectations of the industry. There is no written Guidance for industry, and the Regulation itself does not explicitly reference credit card-embedded insurance benefits, nor is it structured in a way that provides for compliance in the case of this product line.

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(A CAFII member who was at the meeting has offered a different interpretation on this matter, which is that if the AMF issued a formal guidance saying that the actual regulation applies to credit card-embedded insurance benefits, that would mean that compliance with such regulation is expected immediately. Since the AMF said it wants to work with industry to try to find creative solutions to the challenges in complying with the RADM for credit card-embedded insurance benefits, and in the interim the AMF has indicated that it is ready to wait before formally requiring industry to comply, the AMF position may be that it is preferable for the Industry to not have such "formal guidance" at this time.)

Whatever next step the CAFII Board decides to mandate on this issue, it is clear that the AMF recognizes that it has not structured the Regulation in a way that makes compliance for credit card-embedded benefits easy. While the AMF is being adamant about the applicability of the RADM to credit card-embedded insurance benefits, its position on the issue and the rationale for it are currently entirely verbal-only and not documented in any official manner. While it may be preferable to not have a "documented and official" position if we want to try and find a middle-ground, creative solution with the AMF, the lack of such documentation also produces its own difficulties for the industry, in particular if the view is that industry should challenge the AMF's current position on this matter.

CAFII Options for Next Steps

1. Do nothing and let the AMF take enforcement action on this issue, which CAFII/the industry will then challenge.

2. Submit a written request to the AMF that it issue an official written statement to the industry on its position on the RADM's applicability to credit card-embedded insurance benefits and the related rationale; and, in that submission, make the case as to why CAFII does not agree that the RADM applies and is exploring all options; and that we do not view it as appropriate to propose solutions to the AMF on how to make the RADM apply to this product.

3. Engage Norton Rose Fulbright to review our existing "CAFII Views/Arguments on Why The RADM Should Not Apply To Credit Card-Embedded Insurance Benefits" document and formally submit the refined finished product as a legal brief/ opinion to the AMF.

4. Engage Norton Rose Fulbright to review our existing "CAFII Views/Arguments on Why The RADM Should Not Apply To Credit Card-Embedded Insurance Benefits" document and produce a legal brief on why the RADM does not apply, but rather than submit that brief to the AMF in writing, request a follow-up meeting with very senior AMF officials at which our legal counsel will verbally present the legal brief.

5. Provide the AMF with our timelines to respond to its request that CAFII propose solutions as to how our members/the industry can comply with the RADM in the case of credit card-embedded insurance benefits; and, flowing from that timeline, the develop solutions which we feel will comply with the RADM while avoiding some of the seemingly built-in problems with its applicability to this product line. This is the approach that the AMF has requested and desires.

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Appendix A

CAFII Opening Statement To The AMF
At 11 February, 2020 Meeting On RADM's Applicability To Credit Card-Embedded Insurance Benefits

Comments were made by Keith Martin in English, approximately 5 minutes duration

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FIRST TWO PARAGRAPHS (IN ITALICS) WERE READ IN FRENCH
I would to thank you for agreeing to hold the meeting in English, it is much appreciated.

On behalf of my Co-Executive Director Brendan Wycks, and the members of CAFII, I would like to thank you for the opportunity to speak to you about credit card-embedded insurance benefits and our view that the provisions of the Regulation on Alternative Distribution Methods (RADM) do not apply.

CAFII and its members have been strongly supportive of the direction and general provisions of the new Regulation, and we believe that it achieves a good balance among the goals of upholding consumer protection, providing consumer choice, and fostering industry efficiency and effectiveness. Some provisions, such as the replacement of the Distribution Guide by a Product Summary produced by businesses in the industry, we believe will lead to much better consumer experiences and outcomes.

But we never envisioned that the insurance coverages which are often included with credit cards – coverages which are not sold, but rather included as an add-on benefit -- would be subject to the RADM.

We would like to start by offering some background on how credit card-embedded insurance benefits work.

A consumer has a multitude of choices around choosing a credit card. They can choose a no-fee card with embedded benefits or a fee-card with both a rewards offering and a variety of different embedded benefits. The fee and the rewards i.e. travel rewards, cash-back, points programs tend to be the most important factors affecting a consumer's decision as to which credit card to apply for, but in this highly competitive market, additional features and benefits are included in many credit cards to improve the value proposition for the consumer.

If the embedded benefits in any particular credit card are not attractive to the consumer, he or she has a multitude of other credit cards to choose from with other benefits and features, and he or she simply applies to secure a different card. But the consumer cannot pick and choose from among the embedded benefits in a particular credit card—those embedded benefits are part-and-parcel of the credit card, and the consumer can either accept them or choose not to accept that particular credit card. The benefits and features of any particular credit card cannot be modified in a piecemeal, cafeteria-style fashion.

The provision of embedded benefits to the consumer via a credit card, is not an offer of insurance. Applying for and securing a credit card is not contemplated by the RADM. The credit card is being applied for and selected by the consumer, with or without insurance and other embedded benefits. The insurance contract is between the credit card distributor, for example a bank, and the underwriter, an insurance company. The cardholder pays no premium for the embedded insurance benefits which he or she receives as part of the credit card's value proposition The insurance premium is paid by the bank to the insurance company, and the bank absorbs that cost as an expense associated with what it wants to offer the cardholder in exchange for whatever revenue it expects to generate from the credit card.

Does the AMF have any questions about our comments on how credit card embedded benefits work?

At this point, we would like to ask the AMF if you view this product as being subject to the RADM.

Appendix B

Analysis of Meeting by Martin Boyle, BMO Insurance and EOC Chair

While Mario tried to position himself as open to consultation and offering flexibility to the industry, there are aspects of his approach that I am quite concerned with. The impression that I got was that he seemed to be looking for industry to make commitments and then the industry would be held to those commitments. I think the reason for this is that the regulatory framework does not in fact apply (or at least his position that it does is very weak). The reason for this is that he is unwilling to make any public/industry statements regarding AMF position (i.e., that regs apply to this type of distribution) until he has received input and ideas on making it compliant (i.e., industry commitments on making distribution compliant with the framework). Also, he was unwilling to make any public/industry statements on transition period, which way done in May 2019 for other aspects regulation. It really looks like he wants the industry to back itself into the regulatory framework because he does not have the authority.

I think we should definitely continue to push back on the applicability of the regulation. We should not begin making concessions and commitments until it is clear that regulatory framework actually applies. There is a difference between products that are provided and products that are offered. To me, the regulation is clear that it applies to offers.

Martin Boyle
Director, Governance & BUCO
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Agenda Item 6(b)(2)
March 24/20 EOC Meeting

Date: Mon 2020-03-09 7:26 AM
From: Keith Martin <Keith.Martin@cafii.com>
Subject: Update to CAFII Board of Directors on Two-Prong Strategy in Response to AMF's Position That RADM Applies To Credit Card-Embedded Insurance Benefits

Dear CAFII Board (copy to EOC and CAFII Surrogates):

For your convenience, I have forwarded below the summary of the two-prong strategy that CAFII has been directed by the Board to move forward with.

Both prongs are well-advanced.

Prong One—Legal Opinion from Norton Rose Fulbright (NRF)

Prong One is a legal opinion from Norton Rose Fulbright. The legal proposal in response to our discussions with Norton Rose Fulbright, is attached (word document). You may wish to share the document with your internal legal counsel for their views. A memo on the content of the proposal from Brendan and me is also attached.

In summary, however, Marc Duquette of Norton Rose Fulbright has well-understood our preoccupations and has offered a credible plan. If we do not receive an extension for our response to the AMF past the current 27 March, 2020 deadline, he proposes to write to the AMF indicating that CAFII has every reason to be granted an extension to seek a legal opinion.

You will note that the proposal includes options and costs around a legal challenge if the AMF rejected our legal arguments. We asked NRF to provide that information so that it would be available to the Board, but this is not being contemplated at this time and is simply provided for informational purposes.

NRF estimates that the legal opinion effort would cost up to $50K. There are some components of the proposal that we recommend asking them not to contemplate.

Specifically, Brendan and I recommend that we instruct NRF to narrow the scope of its proposed legal opinion for CAFII (fourth paragraph on p. 2) to just (i), and **not (ii).** This is because we do not feel that we need NRF to do any work on *"(ii) assuming that it does (i.e. that the RADM does legally apply), how can its provisions practically apply to credit card-embedded insurance benefits"* because our CAFII Working Group is already tackling that contingency component.

Also, in the bullets laid out further down on p. 2 re what NRF specifically proposes to examine as part of its legal opinion for CAFII, given that we should instruct them to narrow their focus and not address (ii), then it probably also makes sense to instruct them **not to examine the following two proposed issues**:

- *preliminary analysis of the situation in the other Canadian provinces* (the AMF really doesn't care about that and would likely dismiss arguments in this area out-of-hand, as the AMF is very much a Quebec-focused regulator which only pays lip service to pan-Canadian harmonization); and

- *practical issues flowing from a potential application of the RADM to credit card-embedded insurance benefits and creative ways that may ease the AMF's concerns regarding the protection of Quebec consumers* (already being tackled by CAFII's internal Working Group).

At this time, we will ask NRF to hold off on any further work until a Board meeting can be held to discuss the options. Marc Duquette is not in the office the week of 9 March, so this will not really delay us.

Prong Two—Options around Attempting to Comply with RADM

Prong two is to see whether and how CAFII members could comply with the Regulation respecting Alternative Distribution Methods (RADM) for embedded credit card insurance benefits. The members of the Working Group examining this issue are listed below. A one-hour meeting has been held at which much progress was made, and another two-hour meeting will take place on Friday, 13 March, after which we will be in a better position to determine when the Working Group will be read to present its findings to the Board.

Working Group Members Embedded Credit Card Coverages

Scott Kirby, Chair
Martin Boyle, BMO Insurance
Isabelle Choquette, Desjardins
Charles André Roy, Desjardins
Mandy Rutten, CIBC
Michelle Butler, Scotiabank
Karyn Kasperski, RBC Insurance
Pete Thorn, TD Insurance
Monika Spudas, Manulife
Greg Shirley, Manulife
Tracey Torkopoulos, Assurant
Keith Martin, CAFII
Brendan Wycks, CAFII

Next Steps

After Prong Two's work is more advanced, a one-hour Special Purpose Board Meeting will be called to review the Two Prongs, discuss the options, and provide direction on next steps. As well, by then we should have received a response from the AMF on our request for an extension of the deadline.

If the deadline is not extended, we will have to call a Board Meeting for the week of 16 March. If the deadline is extended, we may wait a little longer to further develop the options before holding the Board meeting.

Any questions or concerns, please let Brendan and me know.

Keith Martin
Co-Executive Director / Co-Directeur général
Canadian Association of Financial Institutions in Insurance
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Sent: February 26, 2020 3:06 PM
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Subject: Update: Recommendation to CAFII Board of Directors on Next Steps In Response To AMF's Position That RADM Applies To Credit Card-Embedded Insurance Benefits

Update: Recommendation to CAFII Board of Directors on Next Steps In Response To AMF's Position That RADM Applies To Credit Card-Embedded Insurance Benefits

CAFII Board of Directors (c.c. EOC Members and Surrogates):

You are being asked, through this communiqué, to approve a recommended course of action for CAFII, developed by the Executive Operations Committee via an extensive discussion yesterday, with respect to the AMF's position that its Regulation respecting Alternative Distribution Methods (RADM) applies to credit card-embedded insurance benefits.

Background

On 11 February, 2020 CAFII met with Mario Beaudoin and two other AMF staff executives at the Autorite's office in Quebec City. A detailed report on that meeting, at which we received verbal confirmation that the AMF's view is that credit card-embedded insurance benefits are indeed subject to the RADM, was previously circulated to Board and EOC members (attached again here for convenient reference).

CAFII also subsequently received a follow-up letter from Mr. Beaudoin, on Friday, 21 February, 2020 (also attached here), in which he states the AMF's position, officially in writing for the first time, that "…these products are subject to the distribution without a representative regime. This position will not be debated." In the letter, Mr. Beaudoin also acknowledges that the industry has expressed concerns about the AMF's position that the RADM is applicable to credit card-embedded insurance benefits. He then says that "the AMF also wishes to hear the proposed solutions to these concerns" and asks CAFII to propose such solutions in writing by **27 March, 2020.**

EOC Recommendation to CAFII Board on Next Steps In Response To AMF's Position That RADM Applies To Credit Card-Embedded Insurance Benefits

The EOC held its regular monthly meeting (via teleconference this month) yesterday, 25 February, 2020, at which a sizeable chunk of time was spent discussing this file and what should be our Association's next steps.

It was agreed that it is premature to arrange a CAFII Board Special Purpose Teleconference Meeting on this matter just yet, as some important preliminary work needs to be done first to develop more concrete options, which can then be presented to the Board once they are more fully fleshed out.

The EOC has determined that CAFII should take a two-pronged approach to next steps on this AMF issue.

Prong #1: CAFII should engage with Marc Duquette at Norton Rose Fulbright immediately and have him review and provide legal commentary and advice on CAFII's "*Views and Arguments With Respect To The AMF's Position That The RADM Applies To Credit Card-Embedded Insurance Benefits"* document. (At the

11 February, 2020 meeting with the AMF, we indicated that credit card-embedded insurance benefits were not an offer of insurance, and that the premium was not paid by the credit card holder; and, as such, credit card-embedded benefits were not subject to the RADM—but we did not present detailed legal arguments to support our position, as the direction from the Board was that the 11 February, 2020 meeting should be treated as exploratory only, with its principal purpose being to gather information from the AMF.)

The EOC believes that CAFII is now in a position where we should ask Marc Duquette at Norton Rose Fulbright to review all the background context material on this issue, including Mr. Beaudoin's 21 February, 2020 letter, our report on the 11 February, 2020 meeting, and our "*Views and Arguments With Respect To The AMF's Position That The RADM Applies To Credit Card-Embedded Insurance Benefits"* document; and ask for his advice and counsel on the legal grounding for CAFII's position on this file, along with our legal options.

We will ask Mr. Duquette whether we should seek a meeting with the AMF to advance our legal views, as we did on the spousal coverage issue in December 2019, or whether a written legal submission is more advisable (noting that we have heard a concern from internal members' legal departments that written submissions may be discoverable.) We will also ask Mr. Duquette what are our options for a legal challenge or appeal if our position on this issue is rejected by the AMF.

Prong #2: Second, there is a view among EOC members that we should also take steps to explore how we can accommodate the AMF's request that we find solutions with respect to how credit card-embedded insurance benefits can be brought into compliance with the RADM's expectations and provisions. As a result, we are also proposing to immediately launch a special task-specific CAFII Working Group, which will include both EOC and non-EOC members (as some credit card experts from parent company financial institutions will likely join the group), which will be mandated with identifying and fleshing out (i) different options and approaches for how we could respond to the AMF on each of the specific requirements of the RADM regime and the expectation that credit card-embedded insurance benefits must be made to "fit" within it; and (ii) possible options around having credit card-embedded insurance benefits come into conformity with the RADM. When the options are fully fleshed out, this Working Group will also develop a plan and strategy for the Board's consideration.

When these two prongs of action have produced new information and options of substance, we will then arrange a CAFII Board Special Purpose Teleconference Meeting to allow the Board to review the options and provide strategic direction for our Association going forward.

Furthermore, the EOC is of the view that CAFII should ask the AMF for an extension to the 27 March deadline date set out in Mario Beaudoin's 21 February, 2020 letter for CAFII's response —Brendan and I are recommending **15 May, 2020**—to give our Association adequate time to formulate our position and responses on both prongs of action outlined above. As well, we recommend that we send the request for an extension to Mr. Beaudoin, but copy others at the AMF (Nathalie Sirois, Louise Gauthier, Patrick Dery, and Frédéric Pérodeau), as we do not want to be restricted to dealing with Mario Beaudoin alone on this issue.

Other than the proposed request to the AMF for a deadline extension, it is proposed that our Association have no material further contact with the AMF on this issue until after the CAFII Board has been consulted on strategy and process going forward, via the future Special Purpose Board Teleconference Meeting noted above.

<u>Approval Requested</u>
CAFII Directors: please respond to Keith Martin and Brendan Wycks to advise as to whether you are in agreement with the *EOC's Recommendation to CAFII Board on Next Steps In Response To AMF's Position That RADM Applies To Credit Card-Embedded Insurance Benefits* as set out above, or if you have any concerns, <u>by end of day on Thursday, 27 February, 2020</u>. If there is Board support for the EOC's recommended plan of attack, we will initiate moving forward on both prongs of this plan on Friday, 28 February, 2020.

Thank you,

--Keith

Keith Martin
Co-Executive Director / Co-Directeur général
Canadian Association of Financial Institutions in Insurance
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The Canadian Association of Financial Institutions in Insurance | L'association canadienne des institutions financières en assurance

Making Insurance Simple and Accessible for Canadians
Rendre l'assurance simple et accessible pour les Canadiens

Agenda Item 6(b)(i)
March 24/20 EOC Meeting

From: Beaudoin Mario <Mario.Beaudoin@lautorite.qc.ca>
Sent: March-12-20 2:27 PM
To: Brendan Wycks <brendan.wycks@cafii.com>
Cc: Boucher Charlène <Charlene.Boucher@lautorite.qc.ca>; Berthiaume Isabelle <isabelle.berthiaume@lautorite.qc.ca>; Pérodeau Frédéric <Frederic.Perodeau@lautorite.qc.ca>; Déry Patrick <Patrick.Dery@lautorite.qc.ca>; Sirois Nathalie <nathalie.sirois@lautorite.qc.ca>; Gauthier Louise <Louise.Gauthier@lautorite.qc.ca>; Keith Martin <Keith.Martin@cafii.com>
Subject: RE: CAFII Reply to AMF Letter of February 21/20 and to AMF Request of CAFII Re RADM's Applicability to Credit Card-Embedded Insurance Benefits

Bonjour Brendan,

Thanks for following up. The AMF understand CAFII's challenges but considers this request as a generous extension of the initial deadline.

Please note that the AMF will not change its position with regards to the fact that the products discussed are subject to the regulation applicable to the Distribution Without a Representative.

We agree to extend the deadline to May 15 in order to hear your comments, concerns and proposed solutions but we will not extend this deadline or change our position with regards to the application of the DWR regime.

Best regards,

Mario Beaudoin
Directeur des pratiques de distribution alternatives en assurance
Autorité des marchés financiers
2640, boul. Laurier, 4e étage
Québec (Québec) G1V 5C1
Téléphone : 418 525-0337, poste 2801
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www.lautorite.qc.ca

AUTORITÉ DES MARCHÉS FINANCIERS

Guide de rédaction d'un sommaire
Pour une communication claire et efficace!

Summary Drafting Guide
For clear, effective communication!

De : Brendan Wycks <brendan.wycks@cafii.com>
Envoyé : 12 mars 2020 12:06
À : Beaudoin Mario <Mario.Beaudoin@lautorite.qc.ca>

Cc : Boucher Charlène <Charlene.Boucher@lautorite.qc.ca>; Berthiaume Isabelle <isabelle.berthiaume@lautorite.qc.ca>; Pérodeau Frédéric <Frederic.Perodeau@lautorite.qc.ca>; Déry Patrick <Patrick.Dery@lautorite.qc.ca>; Sirois Nathalie <nathalie.sirois@lautorite.qc.ca>; Gauthier Louise <Louise.Gauthier@lautorite.qc.ca>; Keith Martin <Keith.Martin@cafii.com>
Objet : RE: CAFII Reply to AMF Letter of February 21/20 and to AMF Request of CAFII Re RADM's Applicability to Credit Card-Embedded Insurance Benefits

Bonjour, Mario.

CAFII recognizes that you have likely been swamped with high priority matters since your return from vacation this week, so we are resending now my CAFII letter to you of March 2, 2020 (below) so that it will be near the top of your inbox.

We await a response at your earliest convenience.

Best regards,

Brendan Wycks, BA, MBA, CAE
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From: Brendan Wycks
Sent: March-02-20 8:37 PM
To: 'Beaudoin Mario' <Mario.Beaudoin@lautorite.qc.ca>
Cc: charlene.boucher@lautorite.qc.ca; 'Berthiaume Isabelle' <isabelle.berthiaume@lautorite.qc.ca>; 'Pérodeau Frédéric' <Frederic.Perodeau@lautorite.qc.ca>; Déry Patrick <Patrick.Dery@lautorite.qc.ca>; 'Sirois Nathalie' <nathalie.sirois@lautorite.qc.ca>; 'Gauthier Louise' <Louise.Gauthier@lautorite.qc.ca>; Keith Martin <Keith.Martin@cafii.com>
Subject: CAFII Reply to AMF Letter of February 21/20 and to AMF Request of CAFII Re RADM's Applicability to Credit Card-Embedded Insurance Benefits

March 2, 2020

Mr. Mario Beaudoin

Director, Alternative Distribution Practices
Autorité des marchés financiers

Dear M. Beaudoin:

CAFII extends sincere thanks to you, Isabelle Berthiaume, and Charlène Boucher for your productive exchange of views with a delegation from our Association in our February 11/20 meeting at the AMF's Québec offices on the issue of the Autorité's possible position on the *Regulation respecting Alternative Distribution Methods (RADM)*'s applicability to credit card-embedded insurance benefits.

In addition, we acknowledge receipt of your follow-up letter of February 21/20. We were pleased to receive that letter and thank you for addressing therein a request we made in the February 11/20 meeting -- by communicating officially, and in writing, the AMF's position that credit card-embedded insurance benefits are subject to Quebec's new distribution without a representative regime, and hence subject to the RADM and all of its provisions.

With respect to the request of CAFII which you formalized in your February 21/20 letter – i.e. that CAFII provide the AMF **by March 27/20** with a list of our Association's concerns regarding the applicability of the RADM-prescribed Product Summary, the right of rescission, and the AMF's Fact Sheet to credit card-embedded insurance benefits; and that we also provide the AMF with proposed creative solutions to our concerns – CAFII must respectfully counter-propose an alternate deadline date later than what you have proposed. It will not be possible for our Association to meet a March 27/20 deadline.

As you may appreciate, within an industry Association such as CAFII – the members of which are vigorous competitors in the marketplace, but yet who come together in common cause within an Association in the interests of raising industry standards, better protecting and serving consumers, and advancing the industry generally – a generous amount of time needs to be allotted in order to allow our member representatives to work through, formulate, and build consensus around responses to regulatory consultation opportunities and special regulatory requests such as yours. That is especially the case when a special regulatory request deals with an issue that is entirely new and unanticipated, which the Autorité's position that the RADM applies to credit card-embedded insurance benefits certainly is to our Association.

Given the task at hand, a creative and iterative group work and consensus-building process needs to take place within our Association; and that will require much more time than your proposed deadline allows.

Therefore, CAFII counter-proposes a response deadline of **May 15/20**, to allow our Association sufficient time to complete and respond to the AMF's request in a meaningful and professional manner. We require an additional seven (7) weeks – the period of time between March 27/20 and May 15/20 – to be able to provide the AMF with proposals of substance.

Please respond at your earliest convenience to this counter-proposal aimed at identifying a mutually agreeable deadline for CAFII's completion of the special request which the AMF has made of our Association.

Brendan Wycks, BA, MBA, CAE
Co-Executive Director
Canadian Association of Financial Institutions in Insurance
Brendan.wycks@cafii.com

Barristers & Solicitors / Patent & Trade-mark Agents

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Agenda Item 6(b)(ii)

March 24/20 EOC Meeting

Memorandum

From	Marc Duquette Dominic Dupoy Pier-Olivier Poisson	**Date**	March 6, 2020
Direct line	Marc Duquette 514.847.4508 Dominic Dupoy 514.847.6102 Pier-Olivier Poisson 514.847.4278		
Email	marc.duquette@nortonrosefulbright.com dominic.dupoy@nortonrosefulbright.com pier-olivier.poisson@nortonrosefulbright.com	**Our ref**	
To	Keith Martin	**Your ref**	
Copy	Brendan Wycks	**Your ref**	

Dear Mr. Martin:

Application of RADM to Credit Card-Embedded Insurance Benefits

You have asked for our input regarding the position adopted by the Autorité des Marchés Financiers (**AMF**) that the *Regulation respecting Alternative Distribution Methods* (**RADM**) applies to credit card-embedded insurance benefits and the strategy to be developed by the Canadian Association of Financial Institutions in Insurance (**CAFII**) in that regard.

We understand that meetings and discussions have been held between representatives of CAFII and the AMF in order to discuss the above issue and that the AMF has asked CAFII to submit practical solutions by March 27, 2020. We also understand that CAFII has asked for that delay to be extended, but that it has not yet received any response in that regard.

1. OPINION BY NRF

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In our view, CAFII should delay the sending of the draft letter it prepared. Although this letter articulates CAFII's position in a very convincing manner, it appears legitimate for CAFII to seek legal advice from external counsel before expressing its position in such a formal way.

Ideally, CAFII would let the AMF know of its intention to consult with Norton Rose Fulbright (**NRF**) in order to evaluate its legal options as soon as possible. The need to obtain NRF's view may also serve as a justification for the extension of the March 27 delay.

Given CAFII's fundamental right to obtain legal advice, the apparent complexity of the issues, the practical impact of those issues on the business model of CAFII's members and the admission by the AMF that the application of the RADM to credit card-embedded insurance benefits is an "emerging issue", we are of the view that the AMF will most probably agree that it is appropriate for CAFII to seek legal guidance from external counsel in the present circumstances.

CAFII does not need to disclose to the AMF the specific subject matter to be examined by NRF. Nor does it need to commit to communicate the contemplated opinion to the AMF. In our view, CAFII should merely explain that the potential application of the RADM to credit card-embedded insurance benefits raises important and complex legal issues and that those issues need to be examined in details by NRF and be the subject of a strong consensus among CAFII members.

Assuming that the AMF will allow CAFII to obtain the view of NRF, we propose to examine the following two issues: (i) whether the RADM applies to credit card-embedded insurance benefits, and (ii) assuming that it does, how can its provisions practically apply to credit card-embedded insurance benefits.

Subject to your comments and instructions, we propose to examine the following issues in our opinion :

- Review of the RADM and of its preceding regulatory regime;
- Review of the doctrine and case law dealing with the application of the RADM and its preceding regulatory regime;
- Review of the various documents issued by the AMF and interested stakeholders during the consultation process led by the AMF before the adoption of the RADM;
- Review of the applicable statutory interpretation principles;
- Preliminary analysis of the legislative framework governing other benefits generally offered with credit cards e.g. reward programs, fraud protection, etc.;
- Preliminary analysis of the situation in the other Canadian provinces;
- Practical issues flowing from a potential application of the RADM to credit card-embedded insurance benefits and creative ways that may ease the AMF's concerns regarding the protection of Quebec consumers;
- Analysis of certain provincial and federal statutory provisions relating to the distribution of insurance products.

We should be in a position to deliver an opinion in April or May 2020. We estimate that the preparation of the opinion should not amount to more than 50,000 $ CDN.

Should CAFII wish to share to share the final opinion with the AMF, we would recommend sending it not only to Mario Beaudoin, but also to his superiors Ms. Louise Gauthier (Directrice principale des politiques d'encadrement de la distribution) and Frédéric Pérodeau (Surintendant de l'assistance aux clientèles et de l'encadrement), and to Mtre Philippe Lebel (Secrétaire et directeur général des affaires juridiques). In our view, it would be important at that stage to bring members of the AMF's legal department such a Mr. Lebel into the discussion to help the AMF have a better understanding of the issues discussed in the opinion and of their consequences.

2. <u>CHALLENGE BEFORE THE COURT</u>

To the extent that our opinion concludes that it is possible for CAFII members to substantially comply with the RADM and that the AMF is in agreement with the practical solutions proposed, it might not be necessary to challenge the interpretation of the AMF before the Court.

However, if our opinion concludes that it is simply not possible to logically comply with the RADM and that CAFII would have strong arguments to challenge its application to credit card-embedded insurance benefits, the matter might end up before the courts.

From a procedural standpoint, the position of the AMF may be challenged before the Court in at least two ways.

Firstly, we may wait for the AMF to issue a statement of offence and challenge it before the Court of Quebec. In our view, this approach is, however, not optimal. For one, the statement of offence will not be issued to CAFII but to one of more of its members. It is unclear whether CAFII will then be allowed to intervene before the Court in such penal matter. Furthermore, the issuance of the statement of offence may draw unwanted negative publicity.

In our view, the second approach is more appropriate in the circumstances. This second approach would consist in the filing by CAFII of a motion to obtain a declaratory judgement before the Quebec Superior Court.

The relevant case law provides for numerous examples of a motion to obtain a declaratory judgement being filed to obtain a judgment deciding whether a specific regulatory regime applies to certain persons.

At that stage, we assume that CAFII would have the proper standing to bring such a motion before the Court. In the worst case scenario, a joint motion may be brought by CAFII members.

Although we did not conduct any specific research in that regard, we are confident that the dispute between CAFII and the AMF would be considered as a "genuine problem" within the meaning of article 142 of the *Code of civil procedure* :

> 142. Even in the absence of a dispute, a judicial application may be instituted to seek, in order to resolve a genuine problem, a declaratory judgment determining the status of the plaintiff, or a right, power or obligation conferred on the plaintiff by a juridical act.

The declaratory judgement approach would allow CAFII to be "in the driver's seat". Obviously, we will be in a better position to assess the chances of success of such a motion once the opinion contemplated above is completed.

It is difficult to evaluate the costs of presenting a motion for a declaratory judgement with great precision. The costs will indeed depend on the approach taken by the AMF. If the AMF does not collaborate and decides to present various preliminary motions (issuance of a statement of offence and challenge of the jurisdiction of the Superior Court, challenge of CAFII's standing, motion to dismiss, motion for examination on discovery, objections to questions and request for communication of documents, appeal from decisions rendered on such preliminary motions, etc.), the costs will obviously increase.

The costs will also be a function of the evidence that CAFII may decide to present before the Court. For example, the costs will increase if an expert report is filed or if multiple witnesses are to testify before the Court regarding the credit card business and the practical impact of an application of the RADM to credit card-embedded insurance benefits.

In light of the above, we may estimate that the costs relating to the filing of a motion for a declaratory judgement will vary between 75,000 and 100,000 $ (before taxes and excluding any appeal).

Working Group on AMF Embedded Credit Card Insurance Coverages—Options around Applying the RADM
http://legisquebec.gouv.qc.ca/en/ShowDoc/cr/D-9.2,%20r.%2016.1

March 6 2020 Notes in Red
March 13 2020 Notes in Blue

RADM #	Wording	Option
19	**CHAPTER III** OFFER OF INSURANCE PRODUCTS THROUGH A DISTRIBUTOR M.O. 2019-05, c. III. **DIVISION I** GENERAL PROVISIONS M.O. 2019-05, Div. I. **19.** This chapter applies to an insurer that offers insurance products through a distributor in accordance with Title VIII of the Act respecting the distribution of financial products and services (chapter D-9.2). M.O. 2019-05, s. 19. **DIVISION II** INFORMATION TO BE PROVIDED TO THE AUTHORITY M.O. 2019-05, Div. II.	N/A
20	**20.** Before offering an insurance product through a distributor, the insurer must, in addition to the information required under section 66 of the Insurers Act (chapter A-32.1), disclose the following information to the Authority: (1) the name and contact information of the third party to which the insurer has entrusted the performance of the obligations of an insurer with respect to the distribution of a product through a distributor, if applicable; (2) the hyperlink or any other means to access the distributor's offer through the Internet, if applicable; (3) the contact information of the insurer's assistance service referred to in section 27.	Straightforward Insurers can change periodically Would not be hard to do

	The insurer must notify the Authority of any change to the above information within 30 days of such change. An insurer that removes a distributor from its list of distributors must indicate to the Authority the reasons for such removal. M.O. 2019-05, s. 20.	
21	**21.** The insurer must disclose annually to the Authority the following information for each product offered through a distributor: (1) the number of insurance policies and certificates issued and the amount of premiums written; (2) the number of claims and the amount of indemnities paid; (3) the number of rescissions and cancellations; (4) the remuneration paid to all distributors and third parties referred to in subparagraph 1 of the first paragraph of section 20. M.O. 2019-05, s. 21.	Some of this information is not relevant Distributor pays insurer so does not make sense to report on item 4 Explanation that there would have to be distinctions due to different nature of business Certificates are in bulk How is cancellation defined? Is it cancellation of credit card? No remuneration paid to distributors Reporting on cancellation is not useful insurance information to the AMF How deal with a card that has never been used? Align Annual Statement on Market Conduct with this reporting; much of this is in the Annual Report Support for this approach Should NOT report on premiums because it is not end customer premium it is distributor to insurer—need to see if it is covered in Annual Statement Loss ratio is not sensible measure when premium is not paid by customer
22	**DIVISION III** DOCUMENTS AND INFORMATION TO BE PROVIDED TO THE CLIENT M.O. 2019-05, Div. III. **22.** Before offering a product through a distributor, the insurer prepares the product summary in accordance with sections 28 and 29. The insurer mandates the distributor to deliver the summary to the client at the time it offers the product to him, together with a fact sheet in the form set out in Schedule 2. M.O. 2019-05, s. 22.	PLAN A Could ask the AMF is could just post it on the website and tell the customers they can go look for it there There is a disclosure box where the link to the website could be seen – need to show APR and core fees PUT ON WEBSITE—DIRECT CARD APPLICANTS TO SITE ALTERNATIVELY: PLAN B

		When is the right time and what is the right method to offer it to the client? Can get consent to send it afterwards? (BPI – currently TD asks for consent to share it with the fulfillment package currently) ADD LINK TO DISCLOSURE ALTERNATIVELY: PLAN C Will provide documentation in mail after enrollment the Product Summary and Fact Sheet Not offered at time of sale But this would increase the size of the package MAIL OUT IN FULFULMMENT PIECE
23	**23.** Where the means of communication used to offer the product does not enable the distributor to deliver the summary and the fact sheet at the time the product is offered, the insurer must include in the mandate it entrusts to the distributor the obligation to inform the client of such inability. The insurer must also ensure that the distributor is required to obtain at that time the client's consent to receive those documents no later than when the policy or insurance certificate is delivered and to mention the information contained in those documents to the client. M.O. 2019-05, s. 23.	Dealt with already
24	**24.** The insurer must be able to provide, at the client's or the Authority's request, all information and documents presented to the client at the time the insurance product was offered to him, particularly the summary and the fact sheet. M.O. 2019-05, s. 24.	Can not do this easily Can offer to send the product summary and fact sheet if the customer asks for it Could if customer asks for this information then a link can be provided to customer where they can find it
25	**25.** Where personal information of a medical or lifestyle-related nature is collected from the client, the notice of specific consent provided for in section 93 of the Act respecting the distribution of financial products and services (chapter D-9.2), applicable under section 437 of that Act, must be delivered to the client if the distributor wishes to allow its clerks to use the	None of the information collected from a customer has any bearing on their insurance benefits in embedded credit card insurance "No personal information is collected for the insurance benefits"—N/A ALTERNATIVELY:

	information it holds on the client for purposes other than those for which it was collected and be in the form set out in Schedule 3. M.O. 2019-05, s. 25.	Insurance company does not see anything about customer until a claim -- explain this to AMF Any information collected must be compliant with PIPEDA
26	**26.** Where the distributor offers the client financing that requires him to subscribe for insurance to secure the repayment of the financing, the notice of free choice provided for in section 443 of the Act respecting the distribution of financial products and services (chapter D-9.2) must be delivered to the client and be in the form set out in Schedule 4. M.O. 2019-05, s. 26.	N/A
27	**27.** The insurer must have an assistance service to answer questions from the distributor regarding each product offered. M.O. 2019-05, s. 27. **DIVISION IV** SUMMARY M.O. 2019-05, Div. IV.	Not a problem to comply
28	**28.** The summary may pertain only to the product and must satisfy all the following conditions: (1) it must be concise; (2) it must explain the product; (3) it must be written in language that is clear, readable, specific and not misleading so as to highlight the essential elements for informed decision-making and not cause confusion or misunderstanding; (4) it must present accurate information; (5) it must not contain any advertising or promotional offer; (6) it must not be the insurance policy or certificate. Where necessary, the insurer may refer the client to the relevant sections of the insurance policy to obtain additional information not found in the summary. M.O. 2019-05, s. 28.	Provision is probably fine It is what is in the summary that is the concern
29	**29.** The summary must present the following information: (1) the insurer's name and contact information; (2) the client number of the insurer registered in the Authority's register of insurers and the Authority's website address; (3) the name and type of product offered; (4) the eligibility criteria; (5) the name and contact information of the distributor that offers the product; (6) the product coverage, exclusions and limitations;	General thoughts on product summary: credit cards have different amounts of insurance coverage. One summary for each insurance product? Some in industry would prefer not to have a summary for each coverage.

	(7) any other specific clauses that may affect the insurance coverage; (8) warnings about the consequences of misrepresentations and concealment; (9) the client's right of cancellation, its duration and the procedures for exercising it; (10) the rules applicable to the temporary insurance, if applicable; (11) the information that the client must be made aware of in accordance with section 434 of the Act respecting the distribution of financial products and services (chapter D-9.2); (12) the premiums and other fees and expenses, including the applicable taxes, or, if an exact amount cannot be indicated, the criteria used to determine it; (13) an indication that the premium is fixed or likely to vary over time; (14) the insurer's website address providing access to the information on where the client can file a complaint with the insurer and a summary of the complaint processing policy provided for in the second paragraph of section 52 of the Insurers Act (chapter A-32.1); (15) the manner in which the specimen of the policy or the insurance certificate can be accessed on the insurer's website. Where the policy provides for a formula to calculate the portion of the refundable premium in the event of cancellation, the insurer must indicate as such in the summary and include an example of its application. M.O. 2019-05, s. 29.	Some card issuers have certificates that are combined, some have them separate. Operationally, could have different sections in summary. Better perhaps to combine the information. AMF wants the Summary to be concise. AMF has indicated that one Summary for multiple coverages is acceptable. But could be difficult where different insurers for different components of the credit card insurance benefits. Very difficult to operationalize the sharing of summaries. NEED to avoid providing this Summary at time of offer in branch. Provision #22 looks at that. Can be part of the package sent to customers. #1 OK #2 OK #3 PRODUCT NOT OFFERED #4 OK Scott Kirby feels problem elements are: #8,9,10 #8 has to not be at time of enrollment but is at time of claim #9 need to tell customer they can cancel by cancelling the card This is the recommended approach which had support from the group.

		Alternatively, could try to ask for it to not be included at all. Perhaps provide an example—for example, you cannot cancel an element of a group policy and then pay less for the benefits. Same concept with credit cards. PLAN A: try to explain why customers cannot opt out, so this does not apply—confusing, not relevant PLAN B: say can cancel credit card if you don't want coverage Direct it back to Bank policies #10 N/A but don't need to worry about it #12 How solution this? There is no premium paid by the customer; it is paid by the bank. However, could use high-level phrasing to educate customer "How much am I paying for the insurance coverage" "This insurance coverage is an additional coverage at no additional price to you. Bank X pays the premium to provide coverage for all customers with the card." Definitely do not want to get into the numbers. ALTERNATIVELY could simply say there are not fees for you the consumer." PLAN A: "coverage is provided under benefits and no premium is charged to the card-holder" #13—can tie this into the same point "premium are not charged to card-holder" #12 and #13 can be addressed together #14 are there any concerns about providing the insurer's website? Should replicate the approach we take with other products #15 Response: "Not applicable" There is no premium so not capability for a refund #9 is also applicable to #15

30	**30.** The insurer must, as soon as the client has subscribed for or enrolled in the insurance contract, provide the client with the following documents: (1) a summary of the information collected from the client; (2) the policy, the insurance certificate or the temporary insurance. M.O. 2019-05, s. 30.	#1 Similar to provisions discussed earlier Information collected from client is not collected in relation to insurance it is in relation to the credit card application The information is relevant when the card is issued in relation to the insurance But would not know who is insured until there is a claim We can achieve this outcome without "conforming to regulation" "No information collected about client so not relevant" #2 providing certificate is not a problem (part of credit card package); temporary insurance is not applicable
31	**31.** The notice of rescission provided for in section 440 of the Act respecting the distribution of financial products and services (chapter D-9.2), which must be delivered to the client by the distributor, must be in the form set out in Schedule 5. M.O. 2019-05, s. 31.	This is a challenge There are no cancellation rights Embedded in credit card
32	**32.** The insurer must make the product summary and a specimen of the policy or the insurance certificate accessible on its website for each product offered by a distributor, as well as any available endorsement, if applicable. M.O. 2019-05, s. 32. NOTE *This section will come into force on 13 June 2020 excluding the product summary which has been in force since 13 June 2019.*	Probably most customers would look at distributors' websites But probably already doing this so is fine
33	***n force: 2020-06-13*** **DIVISION V** SUPERVISION OF DISTRIBUTORS M.O. 2019-05, Div. V. ***In force: 2020-06-13*** **33.** The insurer must monitor and supervise the offering of insurance products by its distributors. To that end, it must adopt and implement procedures that enable the supervision and training of its distributors and the natural persons to whom they entrust the task of dealing with clients	#33 and #34 go together Cannot supervise because there is no offering; can do training on what is included in benefit Supervision of offering does not apply Distribution of credit card—can indicate what is the coverage, and that is the extent of it; if there are questions about exclusions, how it works, provide them with number of provider and they can speak to them

	in order to ensure compliance with the requirements under the Act respecting the distribution of financial products and services (chapter D-9.2) and this Regulation. M.O. 2019-05, s. 33.	Risk inviting conversations that cannot be held with non-licensed individuals Training could be coverages and details can be sent to provider (insurer) #34 I) is asking for quite specific details "This is not possible for embedded coverages, training is just to indicate the coverages" Training needs to be less prescriptive than in regs Training for embedded coverages would be different PROVIDING INFORMATION TO THE DISTRIBUTION CHANNEL ABOUT THE PRODUCT—not classrooms etc. "What is training?" perhaps need to show samples
34	***n force: 2020-06-13*** **34.** The training provided by the insurer must cover the following: (1) the insurance product, particularly the coverage offered, the eligibility criteria and the applicable exclusions and limitations; (2) the distributor's legal obligations; (3) the insurer's complaint processing policy; (4) the practices promoting the fair treatment of clients; (5) the filing of a claim. M.O. 2019-05, s. 34.	See #33
35	**DIVISION VI** PROHIBITIONS M.O. 2019-05, Div. VI. **35.** For insurance products referred to in paragraph 5 of section 424 and paragraph 1 of section 426 of the Act respecting the distribution of financial products and services (chapter D-9.2), no insurer may: (1) enable the distributor to keep its remuneration within a time period not commensurate with the term of the product, which time period may not, however, be less than 180 days; (2) pay to the distributor a bonus or a share in the profits based on contract experience; (3) set different commission rates applicable to a distributor for products with similar insurance coverage.	#1) Distributor is not being compensated so this is entirely not applicable Works the opposite way #2) Not applicable Not really about profits

	M.O. 2019-05, s. 35.	#3) Not applicable
36	**CHAPTER IV** TRANSITIONAL AND FINAL PROVISIONS M.O. 2019-05, c. IV. **36.** This Regulation replaces the Regulation respecting distribution without a representative (chapter D-9.2, r. 8). M.O. 2019-05, s. 36.	Transitional
37	**37.** For the period from 13 June 2019 to 12 June 2020, any delivery to the client of a distribution guide forwarded to the Authority before 13 June 2019 in accordance with section 414 of the Act respecting the distribution of financial products and services (chapter D-9.2), including, if applicable, delivery to the client of the fact sheet in accordance with the Notice regarding the offering of insurance products by automobile and recreational and leisure vehicle dealers, is equivalent to the delivery of a summary and a fact sheet in accordance with section 22 of this Regulation. Similarly, access to such a distribution guide on the insurer's website during that period is equivalent to access to the summary in accordance with section 32 of this Regulation. M.O. 2019-05, s. 37.	Transitional

FACT SHEET

Just address the problems with the Fact Sheet
Do not provide solutions
Can forward any issues to the AMF
Address however all the problems with the Fact Sheet

"It's your choice" wrong
Etc.
First section is misleading
Remuneration – just wrong
Wrong information

Right to Cancel – just not correct

Does not apply
Perhaps have our own version of a Fact Sheet that is more accurate?

Approach to the AMF
Written submission?
Themes of issues

Product Summary and Fact Sheet / Disclosures
Training

Trying to explain what we addressed and why we addressed items in a specific way

Better informing customers is critical
Here is how we would distribute these documents

Have our plan B and C

"These pieces are not relevant"

Annual Statement on Market Conduct

Written submission

Try to address their concerns in a way that is much better

AUTORITÉ DES MARCHÉS FINANCIERS

FACT SHEET

The purpose of this fact sheet is to inform you of your rights. It does not relieve the insurer or the distributor of their obligations to you.

LET'S TALK INSURANCE!

Name of distributor: ____

Name of insurer: ____

Name of insurance product: ____

IT'S YOUR CHOICE

You are never required to purchase insurance:

- that is offered by your distributor;
- from a person who is assigned to you; or
- to obtain a better interest rate or any other benefit.

Even if you are required to be insured, **you do not have to** purchase the insurance that is being offered. **You can choose** your insurance product and your insurer.

HOW TO CHOOSE

To choose the insurance product that's right for you, we recommend that you read the summary that describes the insurance product and that must be provided to you.

DISTRIBUTOR REMUNERATION

A portion of the amount you pay for the insurance will be paid to the distributor as remuneration.

The distributor **must** tell you when the remuneration exceeds 30% of that amount.

RIGHT TO CANCEL

The Act allows you to rescind an insurance contract, **at no cost,** within 10 days after the purchase of your insurance. However, the insurer may grant you a longer period of time. After that time, fees may apply if you cancel the insurance. **Ask** your distributor about the period of time granted to cancel it **at no cost**.

If the cost of the insurance is added to the financing amount and you cancel the insurance, your monthly financing payments might not change. Instead, the refund could be used **to shorten the financing period. Ask your distributor for details.**

The *Autorité des marchés financiers* can provide you with unbiased, objective information.
Visit www.lautorite.qc.ca or call the AMF at 1-877-525-0337.

Reserved for use by the insurer

This fact sheet cannot be modified

Participants, 6 March 2020 Meeting

Scott Kirby, Chair
Keith Martin
Karyn Kasperski, RBC Insurance
Isabelle Choquette, Desjardins
Charles Andre Roy, Desjardins
Brendan Wycks, CAFII
Michelle Butler, Scotiabank
Peter Thorn TD
Greg Shirley Manulife
Monika Spudas Manulife

Participants, 13 march 2020 Meeting

Isabelle Choquette, Desjardins
Scott Kirby, TD Insurance
Peter Thorn, TD Insurance
Martin Boyle, BMO
Monika Spudas, Manulife
Greg Shirley, Manulife
Tracey Torkopolous, Assurant
Michelle Butler, Scotiabank
Keith Martin, CAFII

General Comment—trying to meet the outcomes expected from AMF, but not trying to comment
If comply, implies that regulation applies and is an offer

<u>Working Group Members Embedded Credit Card Coverages</u>

Scott Kirby, Chair
Martin Boyle, BMO Insurance
Isabelle Choquette, Desjardins (to be assisted by two people)
Mandy Rutten, CIBC
Michelle Butler, Scotiabank
Karyn Kasperski, RBC Insurance
Pete Thorn, TD Insurance
Monika Spudas, Manulife
Greg Shirley, Manulife
Tracey Torkopoulos, Assurant

Brendan Wycks, CAFII
Keith Martin, CAFII

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info@cafii.com www.cafii.com

Agenda Item 6(b)(iv)

March 24/20 EOC Teleconference Meeting

From: Brendan Wycks
Sent: March-17-20 3:16 PM
To: CAFII Board Members
Subject: AMF Response To CAFII Deadline Extension Request; and Availability Poll For CAFII Board Special Purpose Teleconference Meeting On Credit Card-Embedded Insurance Benefits Issue: Please Respond Re Wednesday, March 25, Thursday, March 26, or Friday, Marc

Hi, _____.

In follow-up to the Availability Poll component of my message of March 12/20 below, I've received responses from three of our 13 Directors thus far (Chris Lobbezoo, Peter Thompson, Paul Cosgrove).

Based on those three responses, the following two date/time options appear to work well for the one hour CAFII Board Special Purpose Teleconference Meeting we're seeking to arrange, and I'd like to find out if they might also work for you also.

- Wednesday, March 25/20 from 11:00 a.m. to 12 Noon Eastern; or
- Thursday, March 26/20 from 1:00 to 2:00 p.m. Eastern.

In particular, the second option on March 26/20 is probably best/safest to proceed with, in terms of a securing a solid quorum of Board member participants, because up until late last week, most Directors would have had that time on that day reserved for our 2020 CAFII Annual Members' Luncheon.

Please let Keith, Natalie, and me know asap re your availability for a one hour CAFII Board Special Purpose Teleconference Meeting on the AMF Credit Card-Embedded Insurance Benefits Issue during the two date/time options highlighted above.

Thanks and regards,

Brendan Wycks, BA, MBA, CAE

Co-Executive Director

From: Brendan Wycks
Sent: March-12-20 4:13 PM
To: CAFII Board Members (c.c. EOC Members)
Subject: AMF Response To CAFII Deadline Extension Request; and Availability Poll For CAFII Board Special Purpose Teleconference Meeting On Credit Card-Embedded Insurance Benefits Issue: Please Respond Re Wednesday, March 25, Thursday, March 26, or Friday, March 27

CAFII Board and EOC Members (c.c. Board Surrogates):

FYI, see the just-received response below from Mario Beaudoin of the AMF.

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Despite Mr. Beaudoin's use of strong, drawing-a-line-in-the-sand-type language to underscore the AMF's view that the RADM is indeed applicable to credit card-embedded insurance benefits, the fact that the AMF has granted our requested deadline extension to May 15/20 is a positive outcome.

With respect to furthering CAFII's two-pronged strategy on the AMF credit card-embedded insurance benefits issue, we would now like to schedule a one hour CAFII Board Special Purpose Teleconference Meeting to allow the Board to have a strategy discussion and resolve upon the way forward for our Association on this issue.

Keith Martin has shared Mr. Beaudoin's response with our Norton Rose legal advisors on this issue (Marc Duquette, Dominic Dupoy, Pier-Olivier Poisson) but instructed them not to take any further action on this file until after our Board's Special Purpose Teleconference Meeting has occurred and we then give them further instructions.

In that connection, CAFII Directors are asked to respond to the informal **CAFII Board Special Purpose Teleconference Meeting Date/Time Options Availability Poll** below by end of day on Friday, March 13/20:

___________________________: CAFII Director's Name

___ Yes ___ No 11:00 a.m. to 12 Noon on Wednesday, March 25/20

___ Yes ___ No 12 Noon to 1:00 p.m. on Wednesday, March 25/20

___ Yes ___ No 1:00 to 2:00 p.m. on Wednesday, March 25/20

___ Yes ___ No 11:00 a.m. to 12 Noon on Thursday, March 26/20

___ Yes ___ No 12 Noon to 1:00 p.m. on Thursday, March 26/20

___ Yes ___ No 1:00 to 2:00 p.m. on Thursday, March 26/20

___ Yes ___ No 11:00 a.m. to 12 Noon on Friday, March 27/20

___ Yes ___ No 12 Noon to 1:00 p.m. on Friday, March 27/20

___ Yes ___ No 1:00 to 2:00 p.m. on Friday, March 27/20

If you have any questions about or feedback comments on this CAFII file, don't hesitate to contact Keith or me.

Brendan Wycks, BA, MBA, CAE

Co-Executive Director

Canadian Association of Financial Institutions in Insurance

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info@cafii.com www.cafii.com

Agenda Item 6(c)

March 24/20 EOC Teleconference Meeting

From: Keith Martin <Keith.Martin@cafii.com>
Sent: March-14-20 2:15 PM
To: Duquette, Marc <marc.duquette@nortonrosefulbright.com>; Dupoy, Dominic <dominic.dupoy@nortonrosefulbright.com>
Cc: Brendan Wycks <brendan.wycks@cafii.com>
Subject: FW: AMF Non-Debtor Issue

Hi Marc, Dominic,

The AMF has responded to the insurers who submitted Action Plans based on a run-off or natural attrition, and said that they have until 2025 to eliminate all in-force policies that do not meet their expectations around the spousal issue. After that date, if there are still policies in place that do not meet their expectations, other measures need to be taken. Please see below.

Thanks,

Keith Martin

Co-Executive Director / Co-Directeur général

Canadian Association of Financial Institutions in Insurance

L'association canadienne des institutions financières en assurance

From: Keith Martin
Sent: March 11, 2020 3:13 PM
To: 'Emily Brown' <Emily.Brown@sunlife.com>; Brendan Wycks <brendan.wycks@cafii.com>
Cc: Vikram Malik <Vikram.Malik@sunlife.com>
Subject: RE: AMF Non-Debtor Issue

Hello Emily,

When we met with the AMF they said they would allow industry to become compliant with their expectations through a "run off" or natural attrition, but that this could not "take forever." We now know that they view "forever" as five years.

The five-year time period is still a significant improvement over an immediate requirement to cancel in-force policies, and gives us the opportunity to continue to discuss this with them and attempt to further delay the expectation of any cancellations of in-force policies. A lot can happen in five years.

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Assurant, Canadian Premier Life, and Desjardins have each received the letter as well, and been told that they need to develop a plan to eliminate all non-compliant policies after 2025. I suspect all insurers who submitted an Action Plan received a letter in response last Friday.

If you need further information from me, please let me know.

Thanks,

Keith Martin

Co-Executive Director / Co-Directeur général

Canadian Association of Financial Institutions in Insurance

L'association canadienne des institutions financières en assurance

From: Emily Brown <Emily.Brown@sunlife.com>
Sent: March 11, 2020 3:02 PM
To: Brendan Wycks <brendan.wycks@cafii.com>; Keith Martin <Keith.Martin@cafii.com>
Cc: Vikram Malik <Vikram.Malik@sunlife.com>
Subject: AMF Non-Debtor Issue

Hi Brendan/Keith,

Late last week we received a communication from the AMF as it relates to Section 76 – protection offered to persons other than debtors. They were writing related to our prior letters to them dating back to May of last year (as per their required submissions on this topic), "as well as the various exchanges with the industry, including CLHIA, concerning the offering of non-debtor group life, health and employment insurance".

What was of particular note is their wording under the subhead "Existing certificates":

> "Furthermore, as a result of discussions with certain industry members, we have agreed to allow a maximum time period, until January 1, 2025 for bringing all existing certificates into compliance".

We wanted to bring this communication to your attention and would appreciate any thoughts you had on it, including whether other CAFII members had received a similar update from the AMF, and if so, that the compliance date of January 1, 2025, is consistent with what they received.

Look forward to your thoughts.

Emily Brown | Program Manager, Risk and Compliance, Sponsored Markets
T: 416-408-6638 **E:** emily.brown@sunlife.com

AUTORITÉ
DES MARCHÉS
FINANCIERS

Le 11 juillet 2019

« PAR COURRIER ÉLECTRONIQUE »

À l'attention des présidents des assureurs de personnes et des assureurs de dommages faisant affaire au Québec

Objet : Rappel - Importance d'une gestion saine et prudente des risques liés à la sécurité de l'information

Considérant les événements récents liés à la fuite de renseignements personnels dont le Mouvement Desjardins a été victime, l'Autorité des marchés financiers (l'« Autorité ») juge qu'il est opportun de rappeler aux institutions financières l'importance d'une gestion saine et prudente des risques liés à la sécurité de l'information.

Dans un premier temps, l'Autorité désire réitérer que la protection des renseignements personnels obtenus des consommateurs est un enjeu prédominant pour une institution financière. Au-delà de l'obligation de se conformer aux dispositions de la *Loi sur la protection des renseignements personnels dans le secteur privé*, RLRQ c. P-39.1, cet exercice vise avant tout à conserver la confiance du public à l'égard de nos organisations. L'Autorité s'attend donc que les institutions financières identifient et évaluent adéquatement les risques associés à la sécurité de l'information et qu'elles mettent en place des mesures de contrôle robustes afin de mitiger les risques quant à la protection des renseignements personnels. À cet effet, la Ligne directrice sur les saines pratiques commerciales de l'Autorité énonce les attentes à l'égard de la protection des renseignements personnels.

De plus, considérant le rôle important des systèmes d'information dans la protection des données et l'impact de ceux-ci sur le risque opérationnel des organisations, et ce, dans un contexte où l'adoption des innovations technologiques a contribué à accentuer les risques de perte, de vol, de corruption et d'accès non autorisé aux données, l'Autorité désire réaffirmer l'importance de bien gérer les risques liés aux technologies de l'information et des communications. La Ligne directrice sur la gestion du risque opérationnel énonce les attentes générales de l'Autorité en cette matière et une Ligne directrice sur la gestion des risques liés aux technologies de l'information et des communications, pour laquelle une période de consultation a été tenue et qui sera publiée ultérieurement en 2019, viendra préciser ces attentes.

L'Autorité désire également rappeler qu'elle s'attend à ce que les institutions financières l'informent promptement des incidents opérationnels majeurs (cyberincident, dysfonctionnement des systèmes, vol, fraude, etc.) qui surviennent ainsi que de tout manquement à la protection des renseignements personnels.

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

Nathalie Sirois

Nathalie Sirois, CPA, CGA, MBA, CRMA
Directrice principale de la surveillance des assureurs et du contrôle du droit d'exercice

c.c. Fondés de pouvoir

[Translation]

July 11, 2019

BY E-MAIL

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

Subject: Reminder - Importance of soundly and prudently managing information security risks

In light of the recent personal information leak at Desjardins Group, the Autorité des marchés financiers (the "AMF") believes it is timely to remind financial institutions of the importance of soundly and prudently managing information security risks.

The AMF wishes to emphasize that the protection of consumers' personal information is a key issue for financial institutions. Beyond the obligation to comply with the provisions of the *Act respecting the protection of personal information in the private sector,* CQLR c. P-39.1, protecting personal information is about maintaining public confidence in our organizations. The AMF therefore expects financial institutions to adequately identify and assess information security risks and implement robust control measures to mitigate privacy risks. The AMF's Sound Commercial Practices Guideline sets out its expectations for the protection of personal information.

Furthermore, given the important role information systems play in data protection and their impact on organizations' operational risk in an environment where technological innovations have increased the risk of loss, theft, corruption and unauthorized data access, the AMF wishes to reaffirm the importance of effectively managing information and communications technology risks. The Operational Risk Management Guideline sets out the AMF's general expectations in this regard. A Guideline on Information and Communications Technology Risk Management, on which a consultation period has been held and which will be published later in 2019, will clarify those expectations.

The AMF also wishes to point out that financial institutions are expected to promptly advise it of any major operational incidents (e.g., cyber incident, system failure, theft or fraud) as well as any breach of privacy.

Yours truly,

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

c.c.: Attorneys

AUTORITÉ
DES MARCHÉS
FINANCIERS

Québec, le 20 décembre 2019

PAR COURRIER ÉLECTRONIQUE

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

Objet : Demande de renseignements - Incidents opérationnels

Madame,
Monsieur,

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

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

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

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

Place de la Cité, tour Cominar
2640, boulevard Laurier, 3e étage
Québec (Québec)
G1V 5C1
tél. : 418 525.0337
numéro sans frais : 877.525.0337
téléc. : 418.525.9512

800, square Victoria, 22e étage
C.P. 246, tour de la Bourse
Montréal (Québec)
H4Z 1G3
tél. : 514.395.0337
numéro sans frais : 877.525.0337
téléc. : 514.873.3090

www.lautorite.qc.ca

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

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

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

Nathalie Sirois

Nathalie Sirois, CPA, CGA, MBA, CRMA

p.j. Annexe

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

ANNEXE

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

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

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

Délai

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

Information requise

Les informations suivantes seront requises:

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

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

Mode de transmission

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

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

[1] https://lautorite.qc.ca/professionnels/services-en-ligne/

[Translation]

Québec City, December 20, 2019

BY E-MAIL

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

Dear Sir/Madam:

Subject: Request for information - Operational incidents

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

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

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

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

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

Yours truly,

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

Encl.: Appendix

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

[Translation]

APPENDIX

AMF requirements for reporting operational incidents

Definition of an operational incident for reporting purposes

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

Time frame

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

Required information

The following information will be required:

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

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

Submission method

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

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

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[2] https://lautorite.qc.ca/en/professionals/e-services/

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info@cafii.com www.cafii.com

Agenda Item 6(d)(3)

March 24/20 EOC Teleconference Meeting

From: Stuska, Andrea <andrea.stuska@td.com>
Sent: February-28-20 5:37 PM
To: Brendan Wycks <brendan.wycks@cafii.com>; Keith Martin <Keith.Martin@cafii.com>; Boyle, Martin <Martin.Boyle@bmo.com>
Subject: Guideline released - AMF Breach Reporting Expectations: ICTRM Guideline

Hi Brendan, Keith and Martin,

You may have already received this, so apologies if you have.

I received notification from the CLHIA that the AMF has just published the final version of its Guideline on Information and Communications Technology Risk Management.

This guideline came into force on February 27, 2020, with a one year implementation period.

Section 3.3 pertains to operational incidents (including breaches), the AMF has deleted its references to a materiality threshold that was present in the prior version - likely to be consistent with the letter sent to organizations. CLHIA will be addressing this as a concern with the AMF during an upcoming meeting in April.

I hope you all have a great weekend!

Andrea Stuska | Government and Industry Relations | TD Insurance |

320 Front St. W, 3rd floor, Toronto ON, M5V 3B6

(: 416-308-1249

AUTORITÉ DES MARCHÉS FINANCIERS

GUIDELINE ON INFORMATION AND COMMUNICATIONS TECHNOLOGY RISK MANAGEMENT

February 2020

TABLE OF CONTENTS

Preamble

This guideline is an indication of what the *Autorité des marchés financiers* (the "AMF") expects of financial institutions in terms of their legal obligation to follow sound and prudent management practices. As such, it covers the interpretation, performance and application of this obligation.

In light of this, the AMF prefers a principles-based approach to a rules-based one. Its guidelines are therefore designed to be sufficiently flexible to enable financial institutions to establish their own strategies, policies and procedures for the implementation of sound management principles and to put in place sound practices commensurate with their nature, scale, complexity and risk profile. In this regard, the guideline demonstrates ways to meet the principles it contains.

AMF Note

The AMF believes that sound and prudent management and sound commercial practices of financial institutions, and thus the AMF's prudential framework, should rest on three pillars: governance, integrated risk management and compliance (GRC).

This guideline reflects this perspective and sets out the AMF's expectations for sound and prudent information and communications technology ("ICT") risk management practices.

Scope

This guideline is intended for authorized insurers, federations of mutual companies, financial services cooperatives and legal persons belonging to a cooperative group, authorized trust companies, savings companies and other deposit institutions governed by the following statutes:

- *Insurers Act*, CQLR, c. A-32.1;[1]
- *Act respecting financial services cooperatives*, CQLR, c. 67.3;[2]
- *Trust Companies and Savings Companies Act*, CQLR, c. S-29.02;[3]
- *Deposit Institutions and Deposit Protection Act*, CQLR, c. I-13.2.2.[4]

Solely for the purposes of this guideline, the generic terms “institution” and “financial institution” are used without distinction in referring to the entities covered by the guideline.

Lastly, this guideline applies to financial institutions operating independently as well as to financial institutions operating as members of a financial group.

The standards or policies adopted by a federation with respect to financial services cooperatives and mutual insurance associations that are members of the federation should be consistent, if not convergent, with the principles of sound and prudent management set down in legislation and clarified in this guideline.

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1 Sections 463 and 464.

2 Sections 565.1 and 566.

3 Sections 254 and 255.

4 Sections 42.2 and 42.3.

Effective date and updating

The effective date of this *Guideline on Information and Communications Technology Risk Management* is February 27, 2020.

With respect to legal obligation imposed on the institutions to follow sound and prudent management practices, the AMF expects each institution to adopt the principles of this guideline by developing strategies, policies and procedures commensurate with its nature, scale, complexity and risk profile.

The AMF expects financial institutions to adopt and implement the expectations in this guideline by February 27, 2021.

This guideline will be updated to take into account developments in ICT risk management and reflect observations made by the AMF in the course of its supervisory activities in relation to the financial institutions concerned.

Introduction

While the rapid pace of technological innovations has helped to transform financial institution processes and business models, such innovations are introducing significant risks at a time when institutions are becoming more and more interconnected or dependent on legacy systems[5] and external suppliers to carry out their activities.

The adoption of technological innovations is also increasing the risk of data being lost, leaked, stolen, corrupted, or accessed without authorization. Institutions are exposed to an ever-greater risk of increasingly sophisticated, frequent and difficult-to-detect cyber attacks.

Information and communications technology (ICT) risks[6] can have adverse consequences, both financial and legal, for an institution's clients and reputation.

This guideline describes the AMF's expectations with respect to ICT risk. The ultimate goal of these expectations is to strengthen the financial sector's resilience in response to this risk. In particular, these expectations are intended to ensure the development of appropriate security hygiene through the implementation of measures[7] that will help prevent a major incident and limit its impact.

Each institution is responsible for clearly understanding all its ICT risks and ensuring that they are appropriately considered in light of the institution's nature, size, complexity and risk profile. The institution is also responsible for staying current on ICT risk management best practices and adopting them to the extent that they meet its needs.

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[5] A legacy system is a piece of hardware and/or software that continues to be used in an organization despite being superseded by more modern systems. It forms part of an organized assembly of resources enabling the collection, storage, processing and distribution of information.

[6] The AMF defines ICT risk as the business risk associated with the use, ownership, operation and adoption of ICT. This risk includes availability, continuity, security (including cybersecurity), change, data integrity and outsourcing risk.

[7] Such measures include both basic ICT governance practices and operational measures such as the timely deployment of software security updates, the detection of unauthorized traffic on network infrastructures, the management of information access rights, the strengthening of authentication mechanisms for access to critical systems and the monitoring of malware.

1. Types of ICT risks

The AMF expects financial institutions to put in place a taxonomy that catalogues all types of ICT risks.

The taxonomy should be forward-looking and capture the technology risks that are ever-present in all financial institution processes. The taxonomy should be developed in order to facilitate the aggregation and obtain a comprehensive picture of its ICT risks. It should therefore provide a comprehensive set of ICT risks so that those involved in risk identification may consider all types of risks that could affect the institution's objectives.

Technology risk should be assessed holistically, taking into consideration both common risks and the risks of not responding appropriately to technological changes or the arrival of new or emerging technologies in order to enhance the institution's agility and ability to respond to changes over time.

In addition to operational risks derived from technology-related risks, the following strategic risks[8] can impede the achievement of the institution's objectives and should be considered:

- Technology governance risk;[9]
- Technology positioning risk;[10]
- Technology implementation risk.[11]

To guard against a false sense of security or urgency and optimally define ICT risk tolerance, the institution should, among other things:

- use clear ICT terminology and a consistent taxonomy to describe risks;
- aggregate ICT risks[12] at the level of the institution so that they are considered in combination with all the other risks that must be managed.

In developing its risk taxonomy, the financial institution should aim for a reasonable number of categories so that risks may be properly aggregated without the discrete nature of the categories becoming eroded.

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8 These three groups of strategic risks can be described using other wording, according to the taxonomy established by the financial institution.

9 The risk that the board of directors fails to put in place the requisite elements to govern the development and implementation of its IT strategy.

10 The risk that, at the time the strategy is defined, the technology position aimed for in the industry is not adequately embedded in the business strategy, not viable or not feasible.

11 The risk that, when implementing its strategy and strategic plan, senior management fails to achieve the sought-after strategic IT objectives and related business goals.

12 ICT risks can be aggregated according to multiple dimensions (organizational units, types of ICT risks, processes, etc.).

Some of the ICT risk categories that should be considered when developing the taxonomy are information security, crisis management, outsourcing, cloud computing, business continuity, program and project management,[13] change management, ICT operations, ethics, human resources and intellectual property.

If a financial institution has an existing risk taxonomy that is used within a particular functional area, such as internal audit, it could be considered in the development of an organization-wide risk taxonomy, as it may include categories that have been proven to be applicable to the organization. Once developed, this taxonomy should be communicated to those directly involved in risk assessment and control activities so that it may be used consistently in the identification and aggregation of ICT risks.

[13] For example, risks may result from the interdependence between various projects or from the dependence of several projects on the same resources and expertise.

2. ICT governance

> The AMF expects financial institutions to implement ICT governance developed using accepted sources, recommendations and standards.[14]

ICT governance should reflect changes made over time. The quality of governance practices is an important factor in maintaining market confidence. ICT governance should therefore continuously take into account good practices recognized by existing professional and international bodies and should align with the institution's business goals.

The following, in particular, should be considered in establishing ICT governance:

- understanding and acceptance by individuals and groups within the institution of responsibilities related to ICT and data use;
- assessment of ICT and ICT activities, when plans and policies are reviewed, to ensure that they align with the institution's goals, reflect good practices and meet stakeholders' needs;
- evaluation of the institution's plans to ensure that ICT will support business processes with the required capacity;
- consideration of the data life cycle in defining responsibilities;
- the extent to which ICT satisfies regulatory, legal and contractual obligations and professional and international standards;
- the way individuals behave towards others (for all stakeholders) in ICT-related practices and decisions.

The various elements of the framework established by the financial institution (strategies, policies, etc.) should consider and align already existing provisions[15] that are inherent in and relevant to the management of technology risks.

[14] E.g., OECD, G7, NIST, ISACA-Cobit and ISO.

[15] These provisions may have been defined or documented separately over the years and could contain contradictions.

2.1 Roles and responsibilities

Board of directors

In accordance with certain expectations[16] already issued by the AMF, the board should ensure, in particular, that:

- senior management promotes a corporate culture based on ethical and secure behaviour in the use of technology;
- ICT-related information is exchanged with internal and external stakeholders in order to support through documentation its understanding of needs and make judgments about the current and future design of ICT governance;
- the roles and responsibilities of the ICT function and the information security and business continuity management functions are clearly defined in establishing and maintaining ICT governance;
- support structures, roles and functions are regularly assessed to enable the development and continuous improvement of ICT governance.

In addition, the board of directors should, in accordance with section 2.2, ensure that responsibilities related to developing the IT risk framework are assigned, including through an assessment of the competencies required to fulfill those responsibilities. Moreover, it should ensure that the following individuals are assigned:

- an individual responsible[17] for the computer systems and information technology supporting the business's objectives;[18]
- a member of senior management in the second line of defence, such as a chief information security officer (CISO), or another member of senior management and in the second line of defence, to oversee the deployment of the framework ensuring information security and the physical security of the institution's technology infrastructures;
- a member of senior management in the second line of defence, such as a chief data officer (CDO), or another member of senior management in the second line of defence,[19] to oversee the approved framework for the collection, storage and use of data across the institution;
- members of senior management to be responsible for all of the various information assets and ICT risks present in the institution.

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16 AUTORITÉ DES MARCHÉS FINANCIERS. *Governance Guideline*. September 2016.

17 Such as a chief technology officer (CTO) or chief information officer (CIO).

18 This person is responsible for, among other things, execution of the ICT strategic plans, application of technology-related processes (operations, architecture, risk management, etc.) and development of the institution's technology infrastructures and also presents technology proposals and status reports on the implementation of ICT-related strategies and frameworks to the board.

19 AUTORITÉ DES MARCHÉS FINANCIERS. *Governance Guideline*. September 2016.

The board of directors should obtain updates on the scenarios considered in developing and testing disaster recovery and business continuity plans so that it understands the objectives in maintaining the availability of critical ICT operations and systems. In addition, it should have a thorough understanding of the escalation processes for security breaches or incidents, including when it should be notified.

Senior management

In addition to the roles and responsibilities that normally devolve to it,[20] senior management should, in particular:

- establish an ICT function that operates under the oversight of a second-line-of-defence control function;
- clearly delineate the responsibilities of the information security function to ensure its independence and objectivity by, in particular, segregating it from ICT operational processes and implementing compensating controls where needed. This function should not be responsible for any internal audits;
- define roles and responsibilities for maintenance and dissemination, within the institution, of the documentation and information required for informed stakeholder decision-making regarding ICT;
- manage the relationship between the services provided by the ICT function and the business units in a formal and transparent manner while using a common language to ensure the achievement of strategic objectives;
- establish and maintain an enterprise architecture consisting of the processes, information, data and layers of application, technology and security architectures;
- identify the individuals responsible or accountable for ICT risk management and those who must be consulted or informed;
- working with the compliance and internal audit functions, regularly evaluate the control environment (self-evaluations, assurance reviews, identification of control deficiencies, compliance of ICT-backed processes with laws,[21] regulations and contractual obligations, etc.);
- periodically review non-compliance (including exceptions approved by the board of directors) with the frameworks established for ICT risk.[22]

In establishing the ICT strategy, senior management should, in particular:

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[20] AUTORITÉ DES MARCHÉS FINANCIERS. *Governance Guideline*. September 2016.

[21] Particularly the Act respecting the protection of personal information in the private sector and the Act to establish a legal framework for information technology.

[22] Exceptions should be reviewed periodically in light of the changing nature of ICT and inherent threats to ensure that they remain at an acceptable level and will be corrected in a timely manner.

- develop a holistic view of the business environments and the ICT environments (current and future) in order to identify the required transformation initiatives;
- define and document how the ICT, technology architecture, organizational structure and key dependencies with partners and suppliers will evolve in order to support its business strategy;
- properly align ICT strategic plans and business strategies on an ongoing basis while taking into account current and future ICT capacity;
- consider using technological innovations in strategic planning and enterprise architecture decisions;
- define objectives to maintain the institution's capacity to anticipate, detect and recover from ICT incidents[23] in order to ensure ICT system resilience.

Moreover, in terms of the institution's information security, the designated member of senior management should, in particular:

- develop, document and disseminate an information security policy that defines the principles and rules for safeguarding the confidentiality, integrity and availability of the information of the institution and its clients;
- define clear information security objectives for systems, ICT services, processes and people;
- apply the information security policy to all the institution's activities and include information handled by external stakeholders within the institution's scope;[24]
- deploy controls for information assets[25] that are proportional to the criticality and sensitivity of those assets;
- do systematic testing to ensure that the controls in place are effective;
- deploy information security training and awareness programs;
- produce security performance indicators covering areas such as the business impacts (for the benefit of non-technical personnel) and effectiveness of security controls.

Senior management should report on the following, in particular:

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[23] An ICT, cyber or information security incident normally occurs when an unplanned disruption in the delivery of ICT services or a security breach in a system compromises the availability, integrity or confidentiality of ICT data or systems.

[24] For external stakeholders, it is acceptable here to establish appropriate agreements regarding the secure treatment of information.

[25] Information assets (data, hardware and software) are not limited to those held by the institution. They also include information assets entrusted or delivered by clients or third parties.

- the objectives and indicators gathered in relation to ICT and its processes on a systematic and timely basis;
- the results of monitoring done with respect to ICT-related best practices and standards in development, at the national and international levels, and the potential impacts of such best practices and standards on the institution's activities;
- key ICT issues, including significant ICT projects, priorities and incidents, as well as regular reports on ICT risk.

Other roles

The institution's risk management function[26] should oversee its ICT function and assume responsibility for monitoring all ICT risks (i.e., both operational and strategic risks and risks arising from ICT-related innovations[27]). This function should also rigorously monitor material and emerging ICT risks.

The objective assurance expected from the internal audit function regarding the sufficiency and efficacy of ICT governance should cover, among other things, the efficiency and effectiveness of ICT operations, the safeguarding of information assets, and the reliability and integrity of their reporting processes.

The institution's internal audit activities should include a review of the design and effectiveness of the information security controls, including the controls maintained by external parties. Internal audit should also review the assurances provided by an external party when they have the potential to adversely affect the institution, its clients or other stakeholders.

Other roles defined across the institution—such as the person in charge of business management and the person in charge of human resources—have an effect on ICT risk governance and management. Although not directly involved in ICT risk governance and management, they are nonetheless stakeholders and should be considered in defining roles and responsibilities.

[26] The chief risk officer (CRO) or a designated member of senior management must be able to synthesize, explain in plain language and communicate ICT-related information effectively to various audiences.

[27] For example, risks of bias or unethical use of big data technologies and artificial intelligence.

2.2 Integrity and competency

In accordance with the expectations[28] already issued by the AMF, effective and efficient governance, which includes information and communications technology, requires decision-making bodies to have an appropriate level of expertise, professional qualifications, knowledge or experience.

The members of the decision-making bodies and the established governance mechanisms (e.g., audit, risk management and ICT management committees) should have a knowledge and understanding of ICT use, future trends and directions and have sufficient authority to fulfil their respective responsibilities.

When evaluating the competency of members of decision-making bodies, an aptitude and knowledge grid with ICT-related criteria should be developed, kept up to date and applied on a regular basis—or more frequently, if necessary—for individuals in strategic positions related to ICT governance and risk management.

The institution should therefore periodically take stock of all current ICT competencies within the institution and those needed to carry out strategies and achieve objectives.

To minimize the risk of having insufficient ICT expertise in key positions, a formal process for acquiring competencies pertaining to ICT-related strategic issues should be developed.

Similarly, a comprehensive ICT security awareness training program should be implemented for all personnel and should, at a minimum, take into account the current threat landscape (including cyber threats) and threat impacts, laws, regulations, the frameworks established by the institution and the responsibilities of personnel in safeguarding information assets.

The training program should be updated and renewed regularly for all of the institution's personnel and for any service provider with access to information assets.

Moreover, the institution should conduct regular security screening of human resources (including consultants, partners and suppliers) before they are hired, over the course of their employment and after their employment ends, where those human resources have access to ICT systems and data and may expose the institution to data theft, sabotage, fraud and other ICT risks.

2.3 ICT documentation

The institution's frameworks should clarify the roles and responsibilities of decision-making bodies and operating units in establishing, maintaining and securely consulting documentation and information enabling stakeholders to make informed decisions about ICT.

[28] *Guideline Governing Integrity and Competency Criteria*, June 2012.

This documentation should not be static but should, instead, evolve over time. As with the business, an institution's ICT constantly changes based on acquisitions, updates and external influences. The documentation should contain sufficient aggregated information to facilitate decision-making concerning the ICT strategy.

In particular, the documentation should consolidate information that reflects the status of its ICT strategy, current and target architecture, strategic ICT risks and objectives, ICT plans and current plan status, ICT risk impact statements and existing processes and structures for ICT risk management, development methodology and operation processes.

In addition, the strategic documents derived from best practices that should be considered by the financial institution include:

- a description of the situations faced by the institution and its business lines and support functions;
- a description of the impact of ICT risks on business strategies;
- the ICT risk register and ICT risk and control matrix;
- ICT operating models and processes.

While the documentation may be prepared and maintained by various components of the institution, it should be reviewed by senior management and the key elements[29] should be approved by the board of directors.

[29] The key elements presented to the board of directors should be worded so the board members can easily assess them in order to make an informed decision.

3. ICT risk management

> The AMF expects the financial institution to consider all activities necessary to the preparation, treatment and monitoring required in managing ICT risks.

The development of strategies, policies and procedures enabling ICT risk identification, assessment, quantification, control and monitoring should take into account the preparation, treatment and monitoring activities that need to be carried out to lessen any harm that might occur in the first hours of an actual crisis. For example, all measures planned by the institution, including response and recovery measures, should be subjected to stress testing. In addition, the external stakeholders and specialists required by those measures should be prequalified and contractual terms and conditions should be pre-established.

In implementing robust ICT risk management practices across the institution, the latter should also take into account the participation of external stakeholders to ensure that accurate information relevant to risk management is distributed and used by everyone.

The ICT risk management framework should make it possible to establish and maintain a holistic view of ICT risks, including relationships and dependencies between people, end-to-end business processes, the institution's functions, ICT systems and assets supporting such processes and people. By taking stock of roles, processes and business functions, it should be possible to identify their relative importance and their interdependencies with the ICT risks.

3.1 Preparation

The selection of preparatory measures to manage ICT risks should, in particular, help to safeguard sensitive data (such as client information) against disclosure, leaks or unauthorized access. They should also contribute to ICT environment resilience. These measures should cover, among other things, access controls, authentication, data integrity and confidentiality, activity recording and security event monitoring.[30]

During preparations, the financial institution should understand the impact of technology risk on operations, including mission, functions or reputation, as well as on assets and individuals. Consequently, the integrated approach to managing ICT risk should be applied institution-wide and should enable the institution to, among other things:

- align all risk assessment tools and scales used and ensure consistent, agreed-upon and transparent use;
- use a rigorous process to periodically identify information assets and their vulnerabilities in order to appropriately relate risks to assets in a holistic manner.

[30] The appendix covers various additional measures to be considered and that have proven useful in managing the risks related to information security, ICT operations, outsourcing and ICT transformation projects.

The same applies to internal and external threats and potential likelihoods and business impacts in order to determine the level of risk and establish appropriate action plans. This asset management process should also cover data, personnel and the ICT systems (including the various hardware and software components of those systems) and the premises housing them;

- use a classification framework[31] enabling the criticality of data and information assets (including those managed by external stakeholders) to be defined, minimally, according to their availability, integrity and confidentiality requirements;
- use ICT incident management processes with appropriate resumption and recovery objectives to ensure proactive risk management;
- ensure proper and timely monitoring of activities to mitigate the risks recorded in the ICT risk register;
- monitor the effectiveness of mitigation measures, along with the number of reported incidents in order to correct them when necessary;
- consider financial, legal, regulatory, operational, client-related and reputational factors in assessing ICT risk.

In addition to assessing the ICT risk inherent in its activities, products or services (including, in particular, cyber risk), the financial institution should consider what this risk represents for its partners, suppliers and clients and also for other financial sector participants, when relevant.

The financial institution should assess ICT risks at planned intervals, when significant changes are expected or occur and when significant operational and security risks materialize, taking into account the established criteria. ICT risk assessment should be part of an ongoing systematic and cyclical process.

Furthermore, financial institutions should use methods enabling them to make the link between ICT risk scenarios and their potential impact on information assets and business processes so that all stakeholders[32] understand the effects of adverse events related to information and communications technology.

The financial institution should:

- identify all potential individual points of failure in the ICT systems and network architectures to ensure that appropriate measures are taken to mitigate disruption risks;

[31] This classification should reflect the degree to which an information security incident affecting an information asset has the potential to adversely affect the institution and its clients or other stakeholders.

[32] ICT risk assessments require the outcomes to be expressed in clear and unambiguous business terms. Effective ICT risk management also requires the business and technology areas to share a common understanding of the risks that should be managed and the underlying reasons for them. ICT risk management stakeholders should have the ability to understand and express how adverse events or incidents may affect the institution's business objectives.

- carry out end-to-end business impact analyses for critical business processes to ensure that disaster recovery and business continuity plans appropriately prioritize the institution's critical operations during ICT systems recovery;
- consider a plausible[33] set of disaster events and scenarios, including cybersecurity events, in recovery and continuity plan planning;
- include provisions for recovery within specified time frames and periodic testing in the data backup strategy to ensure procedure effectiveness.

Processes and procedures ensuring ICT system resilience should continually take into account rapidly evolving threats. Such processes and procedures should enable containment of the impacts of potential security incidents and help accelerate a return to normal operations. They include response and recovery plan planning, communications, analysis, mitigation and continuous improvement.

To avoid increased exposure to security and stability risks, the financial institution should establish plans for the timely replacement of its ICT hardware and software before the end-of-support dates indicated by their suppliers.

3.2 Treatment

In treating ICT risks, the financial institution should, in particular:

- determine all controls that are necessary to implement the treatment options for the identified risks;
- compare the controls so determined against existing best practices and verify that no required controls have been omitted;
- produce a statement containing the necessary controls and the justification for inclusions or exclusions of controls;
- maintain and use security frameworks and the processes and procedures arising from it to manage information systems and assets;
- maintain and repair ICT system components in accordance with the institution's established frameworks.

In addition, the financial institution should:

- continuously detect abnormal network infrastructure, ICT system and information asset activity in order to understand the evolution and potential impacts of undesirable events and verify the effectiveness of protection measures;

[33] The institution should consider, in particular, low-likelihood scenarios that have high financial or non-financial (reputation, compliance, etc.) impacts.

- test and maintain the aforementioned detection processes to ensure appropriate and timely knowledge of abnormal events;

- execute and maintain response and recovery processes and procedures in order to ensure a response to detected cybersecurity incidents and the restoration of systems or assets;

- receive, analyze and address the vulnerabilities identified by internal or external sources (in-house testing, bulletins or specialized security research);

- perform and review planned activities to prevent the expansion of an event to other ICT systems, mitigate its effects and resolve the incident.

Access to data retrieval and extraction tools[34] should also undergo a risk assessment and should, in order to protect against potential data leaks, be authorized only if there is an actual business.

The financial institution should demonstrate that it assesses the risks related to ongoing maintenance of its legacy systems and that adequate controls are in place to effectively manage the risks of these technologies. If the legacy systems support critical operations, the financial institution should have a strategy in place for managing ageing infrastructure.

Applications developed or acquired by end-users to automate their operations, including applications accessible via the Internet, should be approved by the relevant business areas and the institution's ICT function. Such applications should be taken into account in the information asset management and ICT risk management processes. The financial institution should ensure that appropriate safeguards against data loss or leaks and the exposure to malicious viruses linked to such applications are put in place. In addition, the financial institution should implement controls to monitor and detect the unauthorized use of such applications.[35]

In risk and control assessment, protection mechanisms may include risk avoidance or elimination where the institution does not engage in a specific business activity. They may also include risk mitigation through controls or risk sharing or transfer.

The financial institution should regularly assess the adequacy of its resources in light of its risk appetite by means of stress tests for all material and potential risks, categorized by likelihood and impact (e.g., ICT risks, including cyber risks).

As part of the regular maintenance of its register of known and potential ICT risks, the institution should clearly describe, in particular, their attributes and related control

[34] For example, the use of portable computer devices (tablets, cellphones, etc.), storage devices (USB keys, portable hard drives, etc.), e-mail, instant messaging and printed copies.

[35] The term **Shadow IT** (or sometimes **Rogue IT**) is also used to describe unapproved ICT systems implemented within organizations.

activities in sufficient detail. The ICT risk register should be updated on a forward-looking basis and the adequacy of controls should be regularly assessed.

3.3 Follow-up

The AMF expects the financial institution to align its disclosure and transparency practices with previously issued expectations,[36] generally accepted good practices and applicable legislation by, among other things, implementing the mechanisms needed to promptly notify internal and external stakeholders, including the AMF, when there is an operational incident.

The processes and procedures put in place by the financial institution for incident management should allow action to be taken and services to be resumed as quickly as possible when ICT-related incidents occur. In particular, they should:

- coordinate required responses and recovery activities after internal and external stakeholders have been notified;
- help minimize the impacts on clients;
- report incidents according to pre-determined criteria;
- share useful information contributing to enhanced information security;
- manage public relations and the impact on the institution's reputation.

In addition, the financial institution should conduct specific analyses following a major incident to improve its response and recovery plans. The institution should, in particular:

- explore the data gathered in its infrastructures by its detection systems;
- identify and measure the incident's impacts;
- mitigate or accept and document the risk for newly identified vulnerabilities;
- identify lessons learned when resolving the incident and communicate them to internal stakeholders;
- receive, analyze and respond to the vulnerabilities identified by internal or external sources (in-house testing, bulletins or specialized security research).

Based on lessons learned, observations and decisions made when managing ICT risks, the financial institution should review its strategies—particularly those developed during its preparatory activities (Section 3.1). The review should be guided by clear assessment

[36] AUTORITÉ DES MARCHÉS FINANCIERS. *Operational Risk Management Guideline,* December 2016.

objectives, established expectations and methodologies disseminated to stakeholders, and reports containing clear conclusions and tangible corrective actions.

APPENDIX - Complementary standards to the AMF's guidelines

> The AMF expects the implementation of sound and prudent management practices, set out in all its guidelines, to take into account specific proven and generally accepted practices related to ICT.

ICT risk management depends on the financial institution adopting the expectations described in various AMF guidelines, including those on governance, integrated risk management and compliance. However, ICT risk management also depends on the expectations described in the previous sections of this guideline and the implementation of a number of ICT-specific practices.

In this perspective, the following practices[37] contribute to the establishment of a holistic approach. Applying them helps to prevent and mitigate ICT risks such as those related to the use and operation of ICT.

ICT security

The financial institution must implement robust security mechanisms enabling it to ensure the delivery of critical services and the identification of ICT incidents.

Mechanisms to consider include identity and access management, training and awareness, network segregation and protection of network integrity, data security, protection of endpoint devices, verification of software and microcode integrity, information protection processes and technological protection solutions contributing to system and information asset resilience.[38] Similarly, event and anomaly detection, continuous information system monitoring and detection process monitoring should be considered.

The financial institution should define a process to gather, secure, store, consolidate, treat and review ICT event logs to facilitate security monitoring operations. The latter should include firewall, application, operating system and authentication event logs.

The financial institution should ensure that physical and logical access[39] to information assets and associated resources is limited to authorized users, processes and devices and to activities authorized in accordance with a rigorous and predefined process.

Access rights should be granted on a "need to know," "least privilege" or "segregation of duties" basis, only to authorized personnel and in such a manner as to prevent large data sets from being improperly accessed and security controls from being bypassed.

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[37] The topics discussed in this appendix are drawn from best practices recommended by national or international organizations, including the NIST, Cobit, the G7 and the ISO.

[38] E.g., firewalls, network access controls, intrusion detection and prevention tools, anti-virus software, encryption and log monitoring and analysis tools.

[39] This includes both regular or high-privilege user access and remote access.

The financial institution should limit the use of generic or shared access accounts and ensure that ICT system users can be identified. Exceptions should be justified, compiled and documented.

The financial institution should subject its information security controls to various types of periodic independent assessments, tests and reviews as well as penetration testing[40] and red team exercises.[41]

In assessing information security risks, the financial institution should, among other things:

- identify information security risks related to the loss of confidentiality, integrity and availability of information, and name the persons responsible for the risks;
- establish and maintain information security risk criteria, including risk acceptance criteria and criteria for assessing information security risks.

The financial institution should actively maintain the security of its information while taking into account threats and vulnerabilities, including those resulting from changes to its information assets, the stage they are at in their life cycle[42] and its business environment.

There should be adequate segregation between operational security and risk management duties in developing appropriate ICT information security for the financial institution's ICT systems.

ICT operations

Technological innovations, such as cloud computing, the Internet of things and metadata, have a significant impact on the ICT function (particularly at the level of the processes that must be adapted, including capacity management and security management, and knowledge that should be enhanced to fit new ICT systems).
In this context, it is important for ICT operations personnel to have the information and tools they need to detect any potential problems in processing centre operations, networks, IT security infrastructures and user support. Such tools and information should, among other things, assist in:

[40] Penetration testing and vulnerability assessments produce an image of a computer system in a specific state and at a specific time. This image is limited to the portions of the system that are tested during penetration attempts. In this perspective, penetration testing and vulnerability assessments are not substitutes for an ICT risk assessment.

[41] Red team exercises simulate targeted attacks to test the institution's detection and response capabilities. The institution's control processes for people and technology are reviewed throughout the exercise by simulating the objectives and actions of an attacker.

[42] This refers to the process from information asset planning and design through to decommissioning and disposal.

- preparing an exhaustive inventory of information processing hardware, resources, locations, etc.;
- prioritizing ICT risk mitigation efforts;
- identifying mitigation controls such as policies and procedures for physical and logical security; data, personnel and change management; information distribution and transmission; backups; and user support;
- performance, capacity planning and control self-assessment monitoring and reporting.

The financial institution should implement a process for managing the configurations of the hardware and software components of its information systems so as to have visibility and effective and secure control of its systems.

The financial institution should minimize business disruption risk by establishing appropriate processes to manage changes affecting ICT equipment (hardware and software) and procedures involved in the development, delivery, support and maintenance of ICT production systems. These processes should provide for, among other things:

- pre-implementation security risk and impact assessments (particularly in relation to other information assets);
- sufficient testing for the new ICT and planned upgrades and patches to the existing systems prior to rollout;
- requirements and approval levels needed for the change rollout;
- clearly defined procedures for evaluating, approving and implementing urgent changes, including approvers, in order to reduce production environment security and stability risks;
- strict segregation of duties in the software updating process in order to restrict the ability of a single person to develop and compile software code and deploy it from a development environment to a production environment;
- activation of activity recording in the audit and security logs.

To reduce business interruption risk from the exploitation of software bugs or vulnerabilities, the institution should establish a framework of secure practices and standards for programming, source code reviews and application security testing for its ICT systems. Any information and ICT system availability, integrity and confidentiality issues identified in applying such practices should be compiled, monitored and corrected.

The financial institution should ensure that processes are deployed to assess and manage all operational risks associated with the use, ownership, operation and adoption of ICT. The institution should, in particular:

- implement an appropriate ICT operational structure to support the institution's business activities;
- review and understand how the existing systems support the related business processes;
- support an appropriate control environment through the identification, assessment, management and monitoring of ICT operational risks based on precepts similar to those set out in the Operational Risk Management Guideline;
- create a secure physical and logical operational environment;
- provide for operational continuity and resilience;
- provide for appropriate selection, staffing, replacement and training of ICT personnel.

Outsourcing and cloud computing

Outsourcing does not necessarily reduce ITC-related risks. It can expose the institution to increased security, operational performance and business continuity risks if poorly managed. Responsibility for properly managing those risks continues to rest with the institution. The institution should therefore identify the ICT strategic risks involved in outsourcing initiatives, implement an effective risk program for managing such risks, and monitor the risks stemming from any outsourcing arrangement.

In accordance with the expectations[43] issued by the AMF, the financial institution remains responsible for recovering its operations after a disaster affecting its suppliers when its ICT strategy is outsourced with cloud computing. It should also consider ICT risk, particularly cyber risk, when assessing the level of experience and expertise required to perform the outsourced activity and manage the outsourcing relationship.

The financial institution should ensure the effectiveness of its ICT risk management framework when outsourcing agreements are entered into with external service providers or members of its group.

The increasing use by financial institutions of cloud computing services carries many advantages (economies of scale, access to good practices, agility, etc.). The distributed nature of such services may also enhance resilience to disasters or service disruptions. The AMF considers cloud computing services to be a form of outsourcing. Financial institutions should therefore refer to the AMF's expectations in its *Outsourcing Risk Management Guideline*.

The financial institution should have a clear understanding of the typical characteristics of cloud computing services, including colocation, data amalgamation and a strong propensity for computer processing to be performed at multiple or distributed sites. The

[43] *Outsourcing Risk Management Guideline,* 2010.

institution should consider taking actions to identify and manage the risks associated with data access, confidentiality, integrity, sovereignty, regulatory compliance and auditing. In particular, the financial institution should satisfy itself that the service provider has the ability to identify and segregate client data through robust physical and logical controls. The financial institution should also keep all information relevant to the management of its data-related risks (e.g., nature, sensitivity and location(s) of data processing, storage and traffic) in its centralized list of material outsourcing arrangements.

In the specific context of outsourcing and cloud computing, the financial institution should, in particular:

- contractually secure its right to audit (and the right to audit of the relevant authorities, if applicable) and its right to access the premises of the cloud computing supplier;
- ensure that data and the location of computer processing are secure through the use of appropriate controls[44] (established using a risk-based approach) such as encryption technologies for data in transit, in memory and at rest;
- mitigate supply chain outsourcing risks when suppliers outsource certain activities to other suppliers;
- develop appropriate contingency plans and exit strategies enabling the institution to terminate any contractual agreement without any disruption in service delivery or any impact on regulatory compliance or the continuity and quality of ICT services provided to clients;
- monitor the development of potential concentration risk if the delivery of critical services depends on a small number of service providers;
- monitor and obtain assurance of supplier compliance with security objectives and measures and performance expectations.

Given the number of suppliers and the variety of potential impacts that outsourcing and cloud computing can have on financial institutions, strict controls should be put into place. Cybersecurity should not be considered only at the level of major suppliers or critical service providers. Certain other suppliers could, in fact, be a weak link in the security processes.

While using the services of certain third parties may not constitute a form of outsourcing, many of those services are delivered using ICT or involve information that is potentially confidential. Such third parties may also be exposed to security breaches. The financial institution should assess and appropriately manage the confidentiality breach, integrity

[44] When establishing contractual and service level agreements, the institution should, among other things, consider using information security objectives and measures, applying its own definition of the data life cycle and determining its security monitoring and data encryption needs.

breach and availability breach risks associated with the information processed by such third parties.

Change projects and programs

The implementation of any ICT strategy requires a formal start-up of technology change management programs. Such programs require resources and need to be properly managed and monitored. They also introduce new risks that have to be mitigated. These risks include, among other things, client service disruptions, loss of competitive advantages, negative reputational impact and delays in implementing critical and strategic products or processes.

The financial institutions should establish a project management framework that will ensure the ongoing use of management practices to deliver results that meet business and security needs and objectives. Risk management under the framework should allow the related risks to be identified, assessed, managed and monitored throughout a project's life cycle.

This management framework should cover the practices needed to manage a project's entire life cycle. It should also enable the development of the comprehensive ICT project plans required to implement the strategies. These project plans should clearly define the project scope, cost-benefit and feasibility analyses, activities, deliverables and key milestones, and the roles and responsibilities of the resources needed for each project phase.

When projects relate specifically to the acquisition, development or modification of new or existing ICT systems, the financial institution should ensure that the processes, procedures and controls in its framework adhere to the security-by-design principle to ensure that a reliable, attack-resilient ICT system is implemented.

The financial institution should standardize its project management methodology and support it with tools. It should clearly define the ICT system development life cycle, which consists of various steps—including the identification of information security needs—that must be completed in sequence so that business needs can be translated into systems or applications and those systems and applications can be properly maintained.

In addition, the institution should manage project-generated structure- and process-level changes, including informal and intangible aspects (e.g., perceived impact and changes to work habits), communications, organizational readiness (e.g., resistance to change), training and post-launch support.

CAFII QUARTERLY STAKEHOLDER MEETING WITH
CCIR/CISRO FAIR TREATMENT OF CONSUMERS WORKING GROUP: 5 MARCH 2020

Agenda Item 6(e)

March 24/20 EOC Teleconference Meeting

Background
CAFII meets regularly, and in principle quarterly, with the CCIR/CISRO Fair Treatment of Consumers Working Group (FTCWG) to discuss industry progress in implementing CCIR/CISRO's "Guidance: Conduct of Insurance Business and Fair Treatment of Customers" (issued September 2018)

Participants

From CCIR/CISRO: In-Person
Louise Gauthier, Senior Director, Distribution Policies, Authorité des Marchés Financiers and Co-Chair of the FTCWG
Isabelle Berthiaume, Director, Prudential Insurance Supervision, Authorité des Marchés Financiers
Antoinette Maramieri, Head, Insurance, Financial Services Regulatory Authority of Ontario[1]
Swati Agarwal, Senior Manager, Life Insurance Market Conduct, Financial Services Regulatory Authority of Ontario
Chris (Christine) Caldarelli, Senior Policy and Technical Lead at Financial Services Regulatory Authority (FSRA)[2]
Tim Mifflin, Insurance Market Conduct Division, Financial Services Regulatory Authority of Ontario (FSRA)[3]
April Stadnek, Director, Strategic Initiatives at Insurance Councils of Saskatchewan
Jennifer Calder, Deputy Superintendent of Insurance, Nova Scotia Finance and Treasury Board
Tony Toy, CCIR Policy Manager

From CCIR/CISRO: By Teleconference
Ron Fullan, Executive Director, Insurance Councils of Saskatchewan and Co-Chair of the FTCWG
Harry James, Senior Regulatory Advisor, BC Financial Services Authority
Veronique Martin, AMF
Robert Picard, Compliance Officer, Pensions and Insurance Division, FCNB

From CAFII: In=-Person
Huma Pubani, TD Insurance
Brendan Wycks, CAFII
Keith Martin, CAFII

From CAFII: By Teleconference
Martin Boyle, BMO Insurance and EOC Chair
John Lewsen, BMO Insurance

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[1] Anthonet Maramieri was previously the COO of the Alberta Insurance Council.
[2] Chris (Christine) Caldarelli advised that she had previously worked in Senior Counsel roles at TD Bank, Forester's, and Manulife Financial, during which time she had significant exposure to credit protection insurance products.
[3] Tim Mifflin advised that he had previously worked at the Financial Services Authority (FSA), predecessor national regulator to the current Financial Conduct Authority (FCA) in the UK, and at Royal & Sun Alliance in the UK.

Greg Cairns, BMO Insurance
Dana Easthope, Canadian Premier Life Insurance
Shawna Sykes, Co-operators/CUMIS Services Inc.
Michelle Costello, CUMIS Services Inc.
Diane Quigley, CUMIS Services Inc.
Cassandra Litniansky, CUMIS Services Inc.
Isabelle Choquette, Desjardins Financial Security
Marie Nadeau, National Bank Insurance
Andrea Stuska, TD Insurance
Fay Coleman, TD Insurance
Vikram Malik, Sun Life Financial
Emily Brown, Sun Life Financial

Meeting Summary

In preparation for the 5 March, 2020 meeting with CAFII, Tony Toy, CCIR Policy Manager, had written CAFII to make the following request:

> *As initially discussed at the November 5, 2019 Stakeholder Dialogue and clarified by a subsequent email of December 10, 2019, the FTCWG is expecting to discuss the written CAFII submission re: incentives and compensation models currently used in the market.*

Brendan Wycks subsequently discussed the matter of such a CAFII submission with several EOC members, who expressed concerns about it, including with respect to the granularity of the information requested, and the fact that the information requested was competitively sensitive and CAFII's compliance with the submission request could cause the Association to engage in activity that would be in violation of the Competition Act.

As a result, CAFII sought legal advice from Stikeman Elliott on the CCIR/CISRO FTCWG's submission request of CAFII, and then communicated the key elements of the law firm's legal advisory memo to Tony Toy, CCIR Secretariat. That response can be found in "Appendix A" to this Summary Note; but, in essence, Stikeman Elliot agreed that this was potentially not appropriate information for competitors to share, but that it might be possible to do so in an aggregated, anonymized fashion through a third party firm.

The FTCWG raised this issue at the beginning of the meeting, with Louise Gauthier emphasizing that the regulators were largely interested in understanding how incentives work in the industry. Ms. Gauthier said that these meetings were intended to be an exchange of ideas, to be a "safe place" to discuss issues, and were focused on policy, not supervisory matters.

Brendan Wycks gave some additional context about the concerns of CAFII members around the original ask for a submission on incentives, and the Working Group seemed receptive to the concerns of CAFII members, in particular around revealing information that could be commercially sensitive.

However, Ms. Gauthier said that the solution which would involve CAFII arranging for the requested information to be assembled in an aggregated, anonymized information through a third party firm would be perfectly fine.

She also advised that another Association, the Insurance Bureau of Canada (IBC), had surveyed its members to gather the requested information, and that the results of its efforts had provided very helpful information for the FTCWG. The purpose of undertaking such a survey would be to enable the FTCWG to better understand how the industry works, what its incentive programs are, and how conflicts of interest with respect to incentives are being managed and/or mitigated, Ms. Gauthier concluded.

CAFII responded that this modified understanding of the FTCWG's request was helpful, and we agreed to explore developing a survey of CAFII members which would allow our Association to provide the FTCWG with the desired information in a way that would avoid any concerns related to the Competition Act.

Discussion then turned to implementation of the CCIR/CISOR Fair Treatment of Customers (FTC) Guidance.

Huma Pabani of TD Insurance provided some information on how her company was implementing the Guidance, including revising policies and procedures documentation so that it was consistent with the Guidance, and incorporating FTC into all employee training.

Keith Martin noted that an ongoing challenge for CAFII members is that while they adhere to and are supportive of FTC principles, implementation of the Guidance is essentially about business culture, and that is something that is difficult to measure.

Ms. Gauthier noted that this was something that the Working Group was aware of, and that some thought had already been given to measures or Key Performance Indicators (KPIs) that could demonstrate adherence to FTC.   Such proposed measures, once completed by the FTCWG, would be shared with the industry, and they should be regularly reported to companies' Board of Directors, Ms. Gauthier advised.

Ms. Gauthier said that a consultation document related to updating the AMF's Sound Commercial Practices Guideline of 2013 would soon be released; and that while the AMF would not simply be adopting the CCIR/CISRO Guidance document as the standard for the province of Quebec, the updated Sound Commercial Practices Guideline would be consistent with the CCIR/CISRO Guidance.

At Ms. Gauthier's request, Tim Mifflin of FSRA gave a presentation on the categories of industry sales incentives that the FTCWG is reviewing, in which he identified four categories that given rise to conflict of interest concerns:

1. *Incentives which create an obvious conflict by their very nature* – incentive programs such as awarding travel/trips for top-selling intermediaries.
2. *Incentives which potentially place the intermediary's interest ahead of the customer's interest* – incentive programs such as volume bonuses and sales campaigns.
3. *Incentives which restrict access to markets* – insurers set sales quotas for intermediaries to access or maintain contracts, which in smaller markets may mean that intermediaries have access to a limited number of markets.
4. *Incentives which impede servicing the customer* – original seller compensation only, no compensation provided for a new "agent of record" servicing an orphan policy.

Tim Mifflin then elaborated on category #1: regulators' concern about high-value travel/hospitality rewards which, by their very nature, create a conflict of interest, such as travel to a vacation resort.

Keith Martin noted that while there are some travel rewards incentives used in the CPI industry, they are more modest than what Mr. Mifflin described and tend to be associated with other activities such as team-building or training.

Tim Mifflin replied that that made sense to him; that it was not his view that CAFII members were engaged in the sort of travel incentives that the Working Group was concerned about; and that his impression was that such high value travel rewards incentives were becoming much less common in the industry generally. Nevertheless, Mr. Mifflin's verbal presentation included the comment that

> *As part of this review, the FTC Working Group is considering whether insurance regulators should establish a formal position on travel incentives which is similar to the standards that the securities industry has already announced.*

The meeting concluded with the FTCWG noting that its next round of quarterly meetings with industry stakeholder groups would be held in June 2020. FTCWG members expressed the hope that based on the clarifications they had provided in this meeting as to their expectations, CAFII would be able to provide a written submission on the results of a third party survey of CAFII members, on their incentives and compensation models currently in the market, in advance of the next meeting in June.

(After the meeting's conclusion, there was informal discussion and dialogue, during which April Stadnek, Director, Strategic Initiatives at the Insurance Councils of Saskatchewan (ICS), advised Brendan Wycks and Keith Martin that while in Toronto that week, she had met two days prior with Luke O'Connor of CLHIA and with Moira Gill of TD Insurance, as a CAFII representative, on the issue of implementing/launching a Restricted Insurance Agent Advisory Committee in Saskatchewan, which had recently been formalized via publication of the ICS' new Bylaws on its website. Ms. Stadnek indicated that she would be reaching out to the CLHIA and CAFII soon with further information.)

Appendix A
27 February, 2020 Email from Brendan Wycks to Tony Toy on Request for Information on CAFII <u>Members' Incentive Models</u>

Hi, Tony.

This message is in follow-up to our phone conversation on Tuesday, February 25/20.

As I mentioned in our call, several CAFII members had significant reservations about the CCIR/CISRO FTC Working Group (FTCWG)'s request that CAFII put together an Association-level written submission/deck on "incentives and compensation models currently in market" (as per your email messages of December 10/19 and February 15/20 below) because they viewed that request as something that would potentially necessitate anti-competitive activity (in violation of *The Competition Act* federal law) within our Association.

Individually, in conversation with me, several of our members also informed me that they regard their own company's incentives and compensation model as definitely "competitively sensitive" and as a source of competitive differentiation.

Some CAFII members were particularly concerned about the following passage in your February 15/20 email -- *As some regulators have and are beginning to implement the principles of the Guidance, <u>the FTCWG would like to receive specific examples of practices identified by insurers and distributors that were determined to be possibly misaligning with the Guidance and solutions that addressed those situations</u>* (underlining is mine, for emphasis) – as they took that to mean that the FTCWG was expecting that CAFII members should be prepared to provide in writing, for inclusion in our Association's requested written submission, and also prepared to stand up in front of their competitors (albeit fellow members of CAFII, an industry Association) and to share/speak to the incentives and compensation model they deploy in the marketplace, during our Association's upcoming March 5/20 stakeholder meeting with the FTCWG.

Those CAFII members had a common view that the FTCWG's request that CAFII prepare and provide a written submission/presentation deck in advance of the March 5 meeting, as well as the expected focus/tenor of the discussion at that meeting, could potentially cause our Association to engage in activity that would be anti-competitive as well as self-incriminating for participating CAFII member companies.

While our members had those concerns, CAFII remains committed to being an active partner in CCIR/CISRO's efforts related to fair treatment of customers.

Therefore, we decided to seek legal advice on the issues related to the FTCWG's request of CAFII, from a competition law expert at Stikeman Elliott, to determine whether or not we could satisfy the request, as well as to determine the type of information we could share without creating a risk of breaching competition laws.

Here are salient excerpts from the legal advisory memo that our Association received from Stikeman Elliott on this matter (in blue):

This memo summarizes our competition law assessment of the request made of CAFII to provide a written submission/presentation deck on industry incentives and compensation models to the CCIR/CISRO Fair Treatment of Consumers Working Group. We understand that the Working Group has asked CAFII to provide an association-level written submission in relation to incentives and compensation models currently in the market. We understand that the Working Group is looking into how incentives and compensation models may create conflicts of interest when marketing insurance products.

Specifically, CAFII has asked us to analyze the risk associated with complying with the Working Group's request via an association-level submission under the Competition Act. In sum, we view complying with this request as presenting meaningful competition law risk if it would involve the sharing of competitively sensitive information as between CAFII members. This is because competition laws significantly limit the degree to which such information may be shared between competitors, with such sharing giving rise to potential competition law liability. We therefore do not recommend that CAFII proceed with an association-level submission, subject to the following three mitigating considerations:

1. If certain over-arching, high-level information about incentives and compensation models is common knowledge within the industry to the point of essentially being public or "quasi-public" information then it may be possible to prepare a high-level submission that does not involve the sharing of competitively sensitive information or any specific member data.

2. Any individual CAFII member is of course free on an individual and unilateral basis to provide information and/or a submission directly to the Working Group, as this would not involve the sharing of competitively sensitive information between CAFII members.

3. If CAFII wanted to pursue an association-level submission, then it could explore retaining a third-party (e.g., a law, accounting, or actuarial firm) to receive competitively sensitive information from individual members, with the third-party then being responsible for aggregating/anonymizing information and ensuring that competitively sensitive information regarding one member is not provided to other members, and with the third-party therefore playing a central role in the preparation of the submission to the Working Group. This may be not practical or desirable given time constraints and other considerations.

Exchanging competitively sensitive information with competitors may contravene section 45 or section 90.1 of the Competition Act, which severely restrict and regulate the sharing of information between and collaboration among competitors. The first step in assessing risk under the Competition Act is to consider whether the information to be shared as between CAFII members is competitively sensitive.

Such information is <u>unlikely</u> to be competitively sensitive if:

- *The information is public or widely known across the insurance industry.*
- *The information is already known among CAFII members because members use the same incentive programs, given overall uniformity within the industry.*

Such information is <u>likely</u> competitively sensitive if:

- *There is not common, public, industry-wide knowledge about incentive and compensation models.*

- *Incentive programs and practices vary (or may vary) among CAFII members and across the insurance industry.*
- *Having information about a competitor's incentive program would provide a competitive advantage or potentially cause a member to alter its own conduct.*

Based on the criteria above, if the information requested by the Working Group could be considered competitively sensitive, then we recommend not sharing this information as between CAFII members and therefore not making a submission to the Working Group.

CAFII and its members are strongly of the view that information on the incentives and compensation models which members currently use in the marketplace is indeed competitively sensitive information because

- company-specific models are not public information or widely known across the industry;
- our members do not all use the same incentive programs and there is no overall uniformity of incentive/compensation models across the industry; rather, incentive programs and practices vary among CAFII members and across the industry; and
- having information about a competitor's incentives program and compensation models would indeed provide a competitive advantage and potentially cause a member to alter its own conduct.

Therefore, as I mentioned in our phone call, CAFII is of the view that our upcoming March 5/20 Quarterly Stakeholder Meeting could/should be re-oriented to a discussion about what are the reasonable expectations/asks of the industry that the FTCWG should have going forward, as it seeks to ensure compliance with the *CCIR/CISRO Guidance: Conduct of Insurance Business and Fair Treatment of Customers*, particularly in the area of incentives and compensation models.

In that connection, if the FTCWG concurs with our proposal, perhaps the meeting can be shortened from 90 minutes to one hour. And if the FTCWG is agreeable to our meeting-shortening proposal, we request that our Quarterly Stakeholder Meeting be rescheduled to 9:30 to 10:30 a.m. on Thursday, March 5/20. **Please get back to me at your earliest convenience as to whether this slight rescheduling proposal is acceptable to the FTCWG.**

P.S. In response to your related request, earlier this afternoon I sent you via a separate email a list of expected CAFII in-person participants at our upcoming meeting with the FTC Working Group on the morning of Thursday, March 5/20.

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Life Insurance Council Bylaws
Effective January 1, 2020

www.skcouncil.sk.ca

Life Insurance Council of Saskatchewan
Bylaws

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PART I
Life Insurance Council of Saskatchewan

1-1 Interpretation

In these bylaws:

(a) **"the Act"** means *The Insurance Act*;

(b) **"agency licence"** means an insurance agent licence for a business;

(c) **"Compliance Program"** means a structured program that includes standards and procedures for broker screening, as well as oversight of all brokers under contract.

(d) **"designated representative"** means the individual identified by the business as being responsible for the management and supervision of the business;

(e) **"GICS"** means the General Insurance Council of Saskatchewan;

(f) **"ICS"** means the Insurance Council of Saskatchewan;

(g) **"licensee"** means a holder of a subsisting licence issued by LICS;

(h) **"LICS"** means the Life Insurance Council of Saskatchewan;

(i) **"management"** includes direction or control or both of the operations of a licenced business;

(j) **"MGA"** means a Managing General Agent;

(k) **"the regulations"** means *The Insurance Regulations*;

(l) **"resident"** means a person who, under the laws of Saskatchewan, is subject to Saskatchewan Income Tax because of his, her or its domicile, residence, or citizenship;

(m) **"supervision"** means:

   (i) for a Designated Representative, reasonable and prudent oversight of a licensed business; and

   (ii) for all other licensees:

      (A) reasonable and prudent oversight over insurance transactions as outlined in Table 7-3-1; or

      (B) any supervision responsibilities delegated to the licensee by their Designated Representative;

(n) **"transaction"** includes any act, advertisement, or other conduct that pertains to the offering of or the sale of insurance;

(o) **"TPA"** means a third party administrator; and

(p) **"vulnerable person"** means an individual who cannot make sound or independent decisions, or is easily influenced due to factors which include, but are not limited to:

   age; health; physical or cognitive impairment; language or literary issues; financial resources or knowledge limitations;

1-2 Powers and functions

(1) LICS shall:

(a) exercise the powers and carry out the functions and duties authorized, pursuant to the Act and the regulations;

(b) accept and exercise the powers and carry out the functions and duties delegated to it by the Superintendent; and

(c) carry out the functions and duties outlined in these bylaws.

(2) LICS shall establish a process to regularly evaluate the effectiveness of LICS.

(3) LICS shall appoint three members to ICS, pursuant to clause 5-26(1)(a) of the regulations.

(4) LICS shall ensure that ICS obtains and maintains Directors and Officers liability insurance that protects the officers and members of LICS in the performance of their duties, pursuant to clause 5-85(1)(e) of the Act, and clause 5-32(1)(h) of the regulations.

1-3 Composition

LICS shall be composed of nine members, pursuant to section 5-30 of the regulations, which shall include a chairperson and a vice-chairperson elected by the members.

1-4 Eligibility

To be appointed to LICS as a member a person must:

(a) be committed to the public interest regarding the insurance industry; and

(b) not be an employee of ICS.

1-5 Term of office

The term of office is as prescribed in section 5-30 of the regulations.

1-6 Council meetings

Meetings of LICS shall be called by the chairperson or as arranged by previous meetings of LICS with not less than four meetings in each calendar year.

1-7 Quorum

A quorum of LICS shall be the majority of its members.

1-8 Chairperson

(1) The chairperson shall be a member elected annually by a majority of the members.

(2) The chairperson shall:

(a) preside over meetings of LICS;

(b) perform all acts pertaining to this office;

(c) subject to subsection 1-8(3), be an ex-officio non-voting member of all LICS committees, and may attend any committee meeting; and

(d) automatically be one of the three members appointed to ICS, pursuant to subsection 1-2(3).

(3) LICS may appoint the chairperson as a voting member of any LICS committee.

1-9 Vice-Chairperson

(1) The vice-chairperson shall be a member elected annually by a majority of the members.

(2) The vice-chairperson shall:

(a) perform the duties, pursuant to subsection 5-29(8) of the regulations; and

(b) perform such duties as may be assigned by LICS or the chairperson.

1-10 Administrator

The administrator appointed, pursuant to section 1-1(2)(a) of the ICS bylaws, shall be responsible to LICS, and shall:

(a) carry out the policies established by LICS pertaining to the management and administration of the affairs of LICS;

(b) act as secretary to LICS to:

(i) keep all records of LICS, including a record of all meetings of LICS;

(ii) notify all members of LICS and members of committees of all meetings and send out to members appropriate information and documentation prior to any meeting; and

(iii) issue all notices required by the Act, the regulations, these bylaws or by resolution of LICS;

(c) act as an advisor to LICS; and

(d) attend, or delegate a staff member to attend, all meetings of LICS.

1-11 Voting and parliamentary authority

(1) All motions voted on at a meeting of LICS shall be decided by a majority of votes of the members present.

(2) Each member shall be entitled to one vote.

1-12 Remuneration

Travel, honoraria and other expenses of members who are attending meetings or travelling on LICS business shall be paid from general funds, in accordance with policies established by ICS.

PART II
Committees and Subdelegation of Functions, Powers and Duties

2-1 LICS committees

(1) A committee is any committee created by LICS.

(2) Each committee shall:

(a) perform its duties subject to the direction of LICS;

(b) meet as frequently as required to fulfill its terms of reference; and

(c) make timely reports to LICS on the business of the committee.

(3) LICS shall make all committee appointments, including the Chair. LICS may specify an alternate who may be called upon to complete the term of any committee member who resigns during his or her term of office or cannot meet his or her obligations as a committee member.

(4) Subject to subsection 2-1(6), each member of the committee shall have voting privileges.

(5) A quorum for a committee shall be the majority of its voting members, or no fewer than two voting members, whichever is greater.

(6) No staff member shall have voting privileges on a committee.

2-2 Required committees

LICS hereby establishes the following standing committees:

(a) Market Practices Committee;

(b) Education Committee; and

(c) Restricted Insurance Agent Advisory Committee.

2-3 Market Practices Committee

(1) The Market Practices Committee (hereinafter "MPC") is composed of:

(a) three or more persons who are members of LICS, provided that:

(i) at least one of whom is an industry representative; and

(ii) at least one of whom is a superintendent appointee; and

(b) the administrator referred to in section 1-10, or his or her delegate.

(2) The functions and powers delegated by LICS to the MPC, pursuant to clause 5-32(1)(a) of the regulations are:

(a) to hear and determine whether to grant or refuse a licence, pursuant to sections 5-14, 5-51 or 5-71 of the Act;

(b) to make decisions regarding the placement of terms or conditions on licences:

(i) on any new or subsisting licence pursuant to sections 5-17, 5-54, and 5-71 of the Act; or

(ii) as a penalty pursuant to sections 5-39, 5-64 and 5-82 of the Act;

(c) to hear and determine applications for an extension of time to meet a licensing requirement, pursuant to section 3-2;

(d) to hear and determine applications for an exemption from meeting certain licence requirements, pursuant to section 3-3;

(e) to investigate complaints and adjudicate or mediate disputes respecting alleged non-compliance with the Act, the regulations or these bylaws by applicants, licensees or persons who are required to be licensees, pursuant to clause 5-31(3)(i) of the regulations;

(f) to dismiss a complaint if there is insufficient evidence to substantiate the complaint;

(g) to make decisions respecting penalties and other charges, pursuant to clause 5-31(3)(k) of the regulations; and

(h) to carry out examinations, inspections and investigations of licensees, pursuant to clause 5-31 3)(j) of the regulations.

(3) When exercising the powers in subsection 2-3(2), the MPC is subject to the procedures outlined in section 10-11 of the Act.

2-4 Education Committee

(1) The Education Committee is composed of:

(a) two or more persons who are members of LICS; and

(b) the administrator referred to in section 1-10, or his or her delegate.

(2) The functions and powers delegated by LICS to the Education Committee, pursuant to clause 5-32(1)(a) of the regulations are to:

(a) review and approve requests for ethics courses, pursuant to section 9-3;

(b) approve Accredited Course Providers, pursuant to section 9-4; and

(c) review and approve requests for continuing education credits, pursuant to section 9-5.

2-5 Restricted Insurance Agent Advisory Committee

(1) The Restricted Insurance Agent Advisory Committee (hereinafter "RIAAC") is established by agreement of GICS and LICS.

(2) The RIAAC is composed of:

(a) at least two restricted insurance agent representatives with distribution expertise in restricted insurance agent products;

(b) at least two insurance company representatives with expertise in relevant products; and

(c) the administrator referred to in section 1-10, or his or her delegate.

(3) As required, GICS and LICS shall call on the required industry associations to nominate a list of representative candidates, as outlined in the terms of reference.

(4) The RIAAC shall:

(a) provide subject matter expertise to GICS and LICS regarding Restricted Insurance Agents;

(b) advise GICS and LICS on issues relating to the Restricted Insurance Agent licence;

(c) meet as frequently as required to fulfill its terms of reference; and

(d) make timely reports to GICS and LICS on the business of the committee.

PART III
Licences

3-1 Licences and obligations

(1) LICS may approve applications for licences in any of the life or accident and sickness classes of insurance set out in the Act or the regulations.

(2) Subject to sections 3-2 and 3-3, LICS shall only issue a licence when:

(a) the person meets the requirements outlined in section 7-1; and

(b) LICS is satisfied that the person is suitable to be licensed and the proposed licensing is not for any reason objectionable.

(3) Pursuant to sections 5-17, 5-39, 5-54, 5-64 and 5-71 of the Act, LICS may, at any time, impose terms and conditions on a licence, and amend, vary or repeal those terms and conditions.

(4) A licence imposes on the licensee, and if a business, the designated representative, obligations including but not limited to, the following:

(a) to adhere to the Act, regulations and these bylaws;

(b) to follow established standards of competence, conduct and practice in the business of insurance;

(c) to immediately notify LICS of:

(i) the failure to maintain the prescribed financial security requirements (errors and omissions insurance or the bond), pursuant to sections 5-10 and 5-23 of the regulations;

(ii) any name change, personal or business;

(iii) any corporate change, such as:

(A) amalgamation of the business;

(B) sale of the business; or

(C) dissolution of the business;

(iv) for a partnership, any change in the membership of the partnership or of the general partners of a limited partnership;

(v) any withdrawal of a licence recommendation;

(vi) any change in designated representative;

(vii) any change in other employment;

(viii) any change in address or contact information; and

(ix) any proceeding in bankruptcy, including a Consumer Proposal;

(d) to notify LICS within 30 days of:

(i) the commencement of any criminal proceedings against the licensee or the licensee's directors or officers;

(ii) the commencement of any professional, occupational or regulatory body proceedings against the licensee or the licensee's directors or officers anywhere in the world, including, but not limited to:

(A) actions by any organization in which the licensee holds a designation;

(B) any written notification regarding a suspension or cancellation of a contract from an insurer, MGA or any insurance business; or

(C) actions by any regulatory body in which the licensee holds a registration or a licence; and

(iii) the commencement of any other type of legal action, including but not limited to class action lawsuits or civil actions respecting the business of insurance;

(e) to be supervised in accordance with these bylaws;

(f) to abide by any limitations and conditions that may be attached to the licence;

(g) to file with their annual reporting form the continuing education and ethics courses they have attended; and

(h) to retain continuing education certificates issued by course provider(s) for a minimum of four years, for inspection by LICS in the event of an audit of licensee records.

3-2 Extension of time to meet licensing requirements

(1) An individual who cannot meet a requirement of the Act, regulations or these bylaws may, pursuant to section 10-12 of the Act, apply for an extension of time to meet that requirement.

(2) LICS may authorize an extension of time to meet a requirement, on an application pursuant to subsection 3-2(1), provided that the extension is not contrary to the public interest.

(3) LICS may, pursuant to sections 5-17, 5-39, 5-54, 5-64 and 5-71 of the Act, impose limitations or conditions on a licence to ensure compliance with the requirement within the extension of time granted.

3-3 Exemption from meeting certain licence requirements

(1) An individual may apply for an exemption from education or supervisory requirements in these bylaws.

(2) LICS may grant an exemption from educational requirements on an application pursuant to subsection 3-(1) where LICS is satisfied that:

(a) the individual seeking the exemption has a combination of education, professional qualifications, training and work experience that are at least equivalent to the requirements contained in these bylaws;

(b) the individual seeking the exemption has complied with all other requirements of these bylaws; and

(c) the exemption is not contrary to the public interest.

(3) LICS may grant an exemption from supervisory requirements on an application pursuant to subsection 3-(1) where LICS is satisfied that:

(a) the individual seeking the exemption is subject to supervision procedures that are equivalent to the supervision requirements set out in Table7-3-1;

(b) the individual seeking the exemption has complied with all other requirements of these bylaws; and

(c) the exemption is not contrary to the public interest.

3-4 Effect of licence cancellation

A person whose licence has been cancelled in accordance with the Act, regulations or these bylaws shall cease to be a licensee effective the date of cancellation.

PART IV
Professional Misconduct

4-1 Professional misconduct

(1) For the purposes of the Act, the regulations and these bylaws, professional misconduct is a question of fact but includes any matter, conduct or thing, whether or not disgraceful or dishonorable that:

(a) is contrary to the best interest of the public;

(b) may harm the standing of persons licensed under the Act; or

(c) is a breach of the Act, the regulations or these bylaws.

(2) Without limiting the generality of subsection 4-1(1), a licensee may be guilty of misconduct if the licensee:

(a) fails to place the interests of the consumer before those of the licensee or others;

(b) takes advantage of a vulnerable person;

(c) fails to disclose to a consumer or insurer any conflict of interest that may exist;

(d) fails to ensure that a consumer or insurer is fully informed of all relevant information that will allow the consumer or the insurer to make an informed decision;

(e) fails to reasonably ascertain through prudent fact gathering a consumer's insurance needs;

(f) fails to reasonably carry out a consumer's lawful instructions;

(g) fails to protect a consumer's personal information;

(h) divulges a consumer's personal information unless authorized to do so by the consumer or as required by law;

(i) engages in any practice that is coercive or has the intended effect of inducing a consumer into making a decision that is not in the best interests of the consumer, pursuant to section 7-12 of the Act;

(j) in the course of promoting, selling or servicing insurance business, provides in any advertising or other communications information that is false or misleading, pursuant to section 7-12 of the Act;

(k) makes a material misstatement in an application for licence or report to continue a licence, pursuant to clauses 5-39(1)(a) and 5-64(1)(a) of the Act;

(l) rebates or offers to rebate all or any portion of an insurance premium;

(m) indicates that the premium to be paid for a policy is an amount that is different from the amount of the premium set out in the policy, pursuant to subsection 7-5(1) of the Act;

(n) gives or offers to give anything of value in excess of twenty-five dollars per year for the purposes of inducing a consumer to make an insurance decision, pursuant to section 7-4 of the regulations;

(o) when charging a consumer a fee, fails to have the consumer agree in writing before the service is provided to the amount of the fee and the reason for the fee, pursuant to subsection 7-9(2) of the Act;

(p) demonstrates an unsuitability or an untrustworthiness to act as a licensee, pursuant to clauses 5-39(1)(b) and 5-64(1)(b) of the Act;

(q) fails to deal with consumer complaints or disputes in a timely forthright manner or to refer the consumer to the appropriate person or authority;

(r) fails to follow sound business practices or maintain proper records;

(s) is a Designated Representative and fails to carry out his or her responsibilities as outlined in the Act, the regulations, or these bylaws, including Schedule B – Operating Principles for the Designated Representative;

(t) fails to exercise reasonable and prudent oversight and review when acting in a supervisory capacity; or

(u) fails to reasonably respond to inquiries from LICS or ICS.

PART V
Professional Incompetence

5-1 Professional incompetence

For the purposes of the Act, the regulations and these bylaws, professional incompetence is a question of fact, but includes the display by a licensee of a lack of knowledge, skill or judgement of a nature or to an extent that the licensee is unfit:

(a) to continue in the business of insurance; or

(b) to provide one or more services ordinarily provided as part of the business of insurance.

PART VI
Appeals

6-1 Appeals

A person affected by a decision or order of LICS may appeal that decision or order to the appeal panel, pursuant to section 10-34 of the Act.

PART VII
Licence Application Requirements

7-1 Application for licence

Persons applying for a licence in one of the life or accident and sickness categories set out in Schedule A, Table 1-1 shall provide to LICS:

(a) proof of having met the licence requirements as set out in sections 7-3, 7-4, 7-5, or 7-6;

(b) proof of having met the financial security requirement (errors and omissions insurance and/or bond), pursuant to sections 5-10 or 5-23 of the regulations;

(c) a completed application form as required by LICS for the category of licence applied for;

(d) payment of the required fee for the category of licence as set out in Schedule A;

(e) if the person is an MGA or TPA, copies of all currently in force or draft agency contracts, pursuant to clauses 5-11(g) and 5-11(h) of the Act; and

(f) if the person is a restricted insurance agent, copies of all currently in force or draft agency contracts, pursuant to clause 5-70(2)(b) of the Act.

7-2 Limitation on examination attempts

(1) A person is allowed to attempt each examination identified in the bylaws according to the following rules:

(a) a person can challenge the examination three times before there is any waiting period;

(b) after a third unsuccessful attempt, there will be a waiting period of three months before the examination can be challenged again;

(c) after a fourth unsuccessful attempt, there will be a waiting period of three months before the examination can be challenged again; and

(d) after a fifth or subsequent unsuccessful attempt, there will be a waiting period of six months before the examination can be challenged again.

7-3 Licensing requirements and licence restrictions – Agent and Insurer Representative

(1) Subject to subsections (2) and (3), LICS hereby establishes in Table 7-3-1 the educational requirements and licence restrictions related to the licensing of individuals as agents for each category of licence.

Table 7-3-1 Licensing Requirements and Licence Restrictions – Agent and Insurer Representative

<table>
<tr><th>LICENSING REQUIREMENTS – AGENT OR INSURER REPRESENTATIVE</th><th>LICENCE RESTRICTIONS – ALL LICENSEES</th></tr>
<tr><td>A person applying for a life and accident and sickness agent licence must successfully complete:
a) The Life Licensing Qualifying Program (LLQP) course and examination.</td><td rowspan="2">1) A licensee who is subject to New Agent Supervision as outlined in subsections 7-3 (4) and (5) shall not:
a) act in the transaction of insurance unless he or she is supervised by a licensee having at least three years experience as a licensed agent.
2) A licensee who is subject to New Agent Supervision as outlined in subsections 7-3 (4) and (5) shall:
a) within ten days of taking an application for insurance have a Supervision Certificate (Appendix A) completed and signed by a licensee who is qualified to act in a supervisory capacity; and
b) if replacing a life insurance policy, attach a copy of the completed Life Insurance Replacement Declaration document (Appendix B) to the Supervision Certificate.
3) A licensee shall not:
a) act as a supervisor unless he or she has:
i) at least three years experience as a licensed agent;
ii) is not subject to New Agent Supervision as outlined in subsections 7-3(4) and (5); and
iii) is knowledgeable about the product being sold by the supervised licensee; or
b) act in the transaction of or supervision of segregated funds transactions unless he or she has passed an investment funds course approved by council.
4) A licensee shall:
a) prior to replacing an existing life insurance policy, present and review with the consumer a fully completed Life Insurance Replacement Declaration document that has been approved by LICS (Appendix B); and
b) provide a copy of the Life Insurance Replacement Declaration document to the consumer and retain a copy in his or her client's file.</td></tr>
<tr><td>A person applying for an accident and sickness agent licence must successfully complete:
a) the Life Licensing Qualifying Program (LLQP) Accident and Sickness course and examination</td></tr>
<tr><td>An individual applying for a Third Party Administrator Designated Representative licence must have knowledge of the administrative service(s) being provided.</td><td>A Third Party Administrator Designated Representative shall not:
a) act as an agent for any type of insurance product.</td></tr>
</table>

(2) An individual applying for a licence, who has not held a life and/or accident and sickness agent licence in any jurisdiction in Canada during the past two consecutive years, will be considered a new applicant.

(3) For a new applicant applying for a life and/or accident and sickness agent licence, only courses completed in the year prior to their application for licence are considered valid.

(4) An individual licensed before January 1, 2020 is subject to New Agent Supervision until he or she completes two years as a licensee.

(5) An individual licensed after January 1, 2020 is subject to New Agent Supervision until he or she:

(a) completes a minimum of 50 placed and inforce policies;

(b) completes a minimum of one year as a licensee; and

(c) provides evidence of completion to LICS.

7-4 Licensing requirements – Agency or Restricted Insurance Agent

(1) LICS hereby establishes in Table 7-4-1 the licensing requirements for the licensing of an agency or Restricted Insurance Agent.

Table 7-4-1 Licensing Requirements – Agency or Restricted Insurance Agent

LICENCE CATEGORY	LICENCING REQUIREMENTS – AGENCY OR RESTRICTED INSURANCE AGENT
All Agencies and Restricted Insurance Agents	1) An agency must: a) provide evidence that the agency is registered with the Corporate Registry of the Information Services Corporation; and b) maintain that registration for as long as they hold an active licence. 2) Unless exempt from the requirement to register with the Corporate Registry of the Information Services Corporation, a Restricted Insurance Agent must: a) provide evidence that the Restricted Insurance Agent is registered with the Corporate Registry of the Information Services Corporation; and b) maintain that registration for as long as they hold an active licence. 3) An agency or Restricted Insurance Agent must appoint an individual to be the designated representative, subject to subsection 7-4(2). 4) Failure to appoint and maintain a designated representative shall result in the suspension of the licence of the business.

(2) For the purposes of subsection 7-4(1), a designated representative must be:

(a) for life and/or accident and sickness agencies, an individual who holds an active life and/or accident and sickness licence; and

(b) for Restricted Insurance Agents, an individual who is responsible for receiving notices and other documents, pursuant to the Act, on behalf of the Restricted Insurance Agent.

7-5 Licensing requirements – Managing General Agent

(1) LICS hereby establishes in Table 7-5-1 the licensing requirements for the licensing of an MGA.

Table 7-5-1 Licensing Requirements – Managing General Agent

LICENCE CATEGORY	LICENCING REQUIREMENTS – Managing General Agent
Managing General Agent	1) An MGA must: a) provide evidence that the MGA is registered with the Corporate Registry of the Information Services Corporation; and b) maintain that registration for as long as they hold an active licence. 2) An MGA must appoint an individual to be the designated representative, pursuant to subsection 7-5(2). 3) Failure to appoint and maintain a designated representative shall result in the suspension of the MGA's licence. 4) An MGA must have in place a Compliance Program approved by LICS.

(2) For the purpose of subsection 7-5(1), a designated representative must be an individual who holds an active life and accident and sickness licence.

7-6 Licensing requirements – Third Party Administrator

(1) LICS hereby establishes in Table 7-6-1 the licensing requirements for the licensing of a TPA.

Table 7-6-1 Licensing Requirements - Third Party Administrator

LICENCE CATEGORY	LICENCING REQUIREMENTS - Third Party Administrator
Third Party Administrator	1) A TPA must: a) provide evidence that the TPA is registered with the Corporate Registry of the Information Service; and b) maintain that registration for as long as they hold an active licence. 2) A TPA must appoint and maintain an individual to act as a designated representative, subject to subsection 7-6(2). 3) A TPA must have a written agreement with an insurer acceptable to LICS, setting out the specific responsibilities of the TPA, pursuant to clause 7-1(e). 4) A TPA must establish reasonable procedures to ensure the TPA's employees are properly trained and knowledgeable about the insurance being administered on behalf of the insurer and ensure the procedures established are being used.

(2) For the purposes of subsection 7-6(1), the designated representative must be licensed.

PART VIII
Annual Reporting Requirements

8-1 Annual requirements for maintaining eligibility for a licence

(1) A licensee shall provide to LICS, on or before the annual reporting date shown on the licence:

(a) a completed annual reporting form as required by LICS;

(b) payment of the required non-refundable annual licensing fee established by ICS as set out in Schedule A;

(c) proof of having met the financial security requirements (errors and omissions insurance and/or bond) of the Act as set out in sections 5-10 or 5-23 of the regulations;

(d) proof of having met the continuing education and ethics requirements as set out in section 9-1;

(e) payment of all outstanding fees, fines, costs or penalties owing to any insurance council;

(f) if the licensee is an MGA or TPA, copies of all agency agreements entered into with insurers since the licensee's last annual report, pursuant to clauses 5-11(g) and 5-11(h) of the Act; and

(g) if the licensee is a Restricted Insurance Agent, copies of all agency contracts entered into since the licensee's last annual report, pursuant to clause 5-70(2)(b) of the Act.

(2) A licensee who has not met all the requirements of section 8-1(1) within 30 days of the annual reporting date shall have his, her or its licence cancelled.

Part IX
Continuing Education

9-1 Rules for qualifying for continuing education

(1) Licensees are required to earn a minimum of fifteen credit hours of continuing education in each annual reporting period

(2) The education must take place in an environment structured for learning which can include, but is not limited to, classroom, seminar, on-line and self-study.

(3) One hour of instruction is equal to one hour of continuing education credit.

(4) Courses less than one hour in duration do not qualify for credit.

(5) A maximum of eight credit hours will be allowed in any calendar day.

(6) Only credit hours earned in a reporting period are eligible unless written consent is provided by LICS.

(7) Courses must be taken through course providers outlined in sections 9-4 and 9-5.

(8) Failure to comply with the continuing education requirements shall result in a suspension of licence until the licensee has earned the required continuing education credit hours.

9-2 Definition of continuing education

(1) Only courses that provide technical education are considered to qualify as continuing education including courses that directly relate to:

(a) life or accident and sickness insurance products;

(b) financial planning provided that a maximum of five hours per year is related to non-insurance sectors such as securities and mutual funds;

(c) compliance with insurance legislation and requirements such as LICS' Code of Conduct, the Act, the regulations, these bylaws, privacy legislation, anti-spam legislation and anti-money laundering, and anti-terrorist financing legislation;

(d) ethics;

(e) errors and emissions insurance; and

(f) courses leading to an approved designation such as:

(i) Chartered Life Underwriter (CLU);

(ii) Certified Financial Planner (CFP);

(iii) Registered Financial Planner (RFP);

(iv) Certified Health Insurance Specialist (CHS);

(v) Certified Employee Benefit Specialist (CEBS);

(vi) Personal Financial Planner (PFP);

(vii) Certified International Wealth Manager (CIWM);

(viii) Elder Planning Counselor (EPC); and

(ix) such other designations as are approved by Council.

(2) To receive credit for the purposes of continuing education, the licensee must successfully complete the course.

(3) Courses, programs or meetings related to sales promotion, promotion or motivation do not qualify for credit hours.

(4) Courses related to computer training do not qualify.

9-3 Mandatory ethics training

(1) All resident licensees must, within the cycles set out below, complete one or more LICS approved ethics courses totalling at least three hours in duration.

(2) Resident licensees who hold a licence issued prior to January 1, 2013 must complete ethics training:

(a) by their annual reporting date in 2016; and

(b) within each subsequent five-year cycle.

(3) Resident licensees who hold a licence issued on or after January 1, 2013 must complete ethics training within:

(a) three years of becoming licensed; and

(b) each subsequent five-year cycle.

(4) The five-year cycles referred to in clauses 9-3(2)(b) and 9-3(3)(b) begin when the previous cycle ended.

(5) Credit hours earned for an ethics course can be applied towards a licensee's continuing education requirements.

(6) For the purpose of this section each individual ethics course must be at least one hour in duration.

9-4 Accredited course providers

(1) LICS may grant, at its sole discretion, accredited course provider status to providers of insurance training.

(2) LICS shall set guidelines to be used for obtaining accredited course provider status.

(3) LICS may at any time withdraw accredited course provider status by providing notice of and reasons for withdrawal to the course provider.

9-5 Non-accredited course providers or licensees

(1) Non-accredited course providers must apply for approval of course credits.

(2) Licensees may apply for approval of course credits offered by non-accredited course providers.

(3) LICS may, at its sole discretion, after receiving an application for approval of course credits, grant or refuse credit hours with respect to a course provided by a non-accredited course provider.

9-6 Conditions of course credit

(1) LICS reserves the right to audit any course for which credit has been approved and to withdraw approval of credit hours awarded.

(2) Where LICS directs that approval of a course be withdrawn, LICS shall provide reasons for the withdrawal of accreditation noting the deficiencies to the person or firm having made the original application for accreditation.

9-7 Non-resident licensees

Non-resident licensees are required to comply with the continuing education requirements in this part unless they can provide evidence they are complying with a continuing education requirement in their resident jurisdiction.

Schedule A
Fees Charged by ICS

Pursuant to Part V of the ICS bylaws, the following are the fees established by ICS.

1 Annual licence fees

Table 1-1 Annual Licence Fee Per Category

ANNUAL LICENCE FEE	LICENCE CATEGORY
$100	**The following licence categories:** a) a business or individual licence: i) for life and accident and sickness insurance; ii) for accident sickness insurance; b) an individual licence: i) for an insurer's representative; and ii) for a designated representative of a third party administrator; and c) a business licence: i) for a managing general agent; and ii) for a third party administrator.

Table 1-2 Annual Licence Fees for Restricted Insurance Agents

Number of employees of restricted insurance agent	Fee
1 to 4	$150
5 to 10	$225
11 to 15	$375
16 to 20	$500
21 to 99	$700
100 to 249	$1,500
250 to 499	$3,000
500 or more	$5,500

2 Late filing fees

A licensee who fails to comply with the requirements outlined in section 8-1 on or before the annual reporting date shall be assessed, in addition to the annual fee, a late filing fee equal to 50% of the annual fee.

3 Licence fees non-refundable

A refund of an annual fee shall not be made once a licence has been issued.

4 Denial of licence

An administration fee of $50 shall be retained when an application for a licence has been denied.

5 Administration fees

(1) An administration fee of $50 shall be charged for:

(a) a reinstatement of a licence; and

(b) discontinuation of a licence application after processing by ICS has begun.

(2) Subject to subsection 5(3), an administration fee of $25 shall be charged for:

(a) a certificate of licence status;

(b) a non-resident endorsement used to apply for licensing in another jurisdiction;

(c) a duplicate receipt;

(d) a duplicate licence;

(e) cheques returned to ICS;

(f) deletion or addition of licence class to an existing licence;

(g) a change of licence recommendation; and

(h) changes to a licence that may be required to ensure compliance with the requirements of the Act, regulations and or an insurance council's bylaw.

(3) In cases where the administration fee in clauses 5(2)(g) or 5(2)(h) involves all licensees in an agency or adjusting firm, council may, at its sole discretion, set a flat rate for completion of the transactions. The total flat rate fee cannot exceed the per transaction fee amount generated by applying clauses 5(2)(g) or 5(2)(h).

6 Examination fees

Refer to Insurance Council of Saskatchewan website at www.skcouncil.sk.ca.

7 Electronic Copies of Insurance Register

An administration fee of $250 will be charged for electronic copies of the Insurance Register.

Schedule B

Operating Principles for the Designated Representative

Council has established the following principles to outline the standard of conduct a Designated Representative is expected to meet. To fulfill his or her obligations, the Designated Representative must be familiar with *The Insurance Act*, *The Insurance Regulations*, and these Bylaws. In this Schedule, these documents are referred to collectively as the "Insurance Legislation".

The Designated Representative must ensure that:

- The Agency or Firm and all of its licensees adhere to the CCIR/CISRO Fair Treatment of Customers Guidance Document, dated September 2018.

  The Canadian Council of Insurance Regulators ("CCIR") and the Canadian Insurance Services Regulatory Organizations ("CISRO") have jointly published a document entitled ***"Guidance: Conduct of Insurance Business and Fair Treatment of Customers".*** This guidance is based on Insurance Core Principles of the International Association of Insurance Supervisors. It was created to support insurers and licensees in achieving fair treatment of customers while complying with existing laws and regulations. It also aims at strengthening public trust and consumer confidence and minimizing reputational risks.

  The Insurance Councils of Saskatchewan have fully endorsed the principles outlined in the CCIR/CISRO guidance document. The Fair Treatment of Customers guidance is an overarching principle for the Designated Representative to follow, while ensuring that all licensees within their agency also follow the guidance. The full guidance document can be accessed at:

  https://www.cisro-ocra.com/Documents/View/5

- Only licensed persons act as an insurance agent for the business;

- Licence applications, annual reporting and transfer of recommendation forms are filed, and prescribed fees and fines are paid in accordance with the Insurance Legislation;

- All licensees of the business comply with the Insurance Legislation and any other legislation governing their business practices;

- Licensees are provided with, and use, all information respecting insurance that is necessary to properly conduct insurance business;

- All books, records and accounts are maintained by the business in accordance with the Insurance Legislation;

- Errors and Omissions insurance is maintained by licensees of the business in accordance with the Insurance Legislation; and

- Appropriate procedures are established by the business and are followed such that the requirements of the above principles are met.

Appendix A Supervision Certificate

I, ______________________________, certify that I am a holder of an insurance licence authorizing me to
(Supervising Licensee)
transact the class of insurance for which I am completing this supervision certificate. I also certify that I hold qualifications specified in the Life Insurance Council Bylaws that permit me to sign as a supervisor. I have reviewed the following insurance related material used or prepared by ______________________________.
(Supervised Licensee)
for ______________________________ and believe that the insurance applied for is appropriate to the needs
(Applicant)
and circumstances of the applicant and/or insured.

<u>I have reviewed</u>

Type of Insurance Need
(✓ Check one or more)

- ☐ Accident & Sickness Insurance
- ☐ Business Insurance
- ☐ Debt/Mortgage Insurance
- ☐ Disability Insurance
- ☐ Annuities
- ☐ Other (Please specify) ______________________________
- ☐ Education Funding
- ☐ Estate Preservation
- ☐ Family Survivorship Needs
- ☐ Segregated Funds

Insurance Product(s) Applied For ______________________________

Insurance Amount(s) Applied For ______________________________

Life Insurance Replacement Declaration form (If no, why not) ☐ Yes ☐ No ______________________________

Insurance Needs Analysis (If no, why not) ☐ Yes ☐ No ______________________________

Policy Illustrations (If no, why not) ☐ Yes ☐ No ______________________________

Reason(s) Why Letter (If no, why not) ☐ Yes ☐ No ______________________________

Anti-Money Laundering/Anti-Terrorist Financing questions reviewed (If no, why not) ☐ Yes ☐ No ______________________________

______________________________ ______________________________
Supervising Licensee's Signature **Date**

I certify that I have provided to the licensee signing this Certificate, a copy of all material I have used with the named applicant/insured.

______________________________ ______________________________
Supervised Licensee's Signature **Date**

Instructions

The licensees signing the Certificate must retain a copy of this Certificate for their records

The Purpose of the Supervision Certificate

The Supervision Certificate has two distinct purposes:

- its primary purpose is to ensure that sales made by new, inexperienced licensees are reviewed by a more experienced licensee – to confirm whether the product and amount sold are appropriate to the client's situation and needs; and
- its secondary purpose is as a teaching tool to help develop the knowledge of new licensees through their first 50 placed and inforce policies as a Life including Accident & Sickness licensee.

Expectations of the Supervised Licensee

As outlined in Bylaw 4-1(2)(e), licensees are required to "reasonably ascertain, through prudent fact gathering, a consumer's insurance needs" when making a sale. Further, as outlined in Bylaw 7-3, new licensees are subject to specific supervision on a minimum of their first 50 sales. The specific supervision includes the completion of this Supervision Certificate on those 50 sales.

The supervised licensee must complete the form **fully and accurately** and provide the supervising licensee with all pertinent information required for the supervising licensee to review the sale and assess whether the product and amount sold are appropriate to the client's situation and needs.

When the supervised licensee signs the Supervision Certificate, he or she is attesting to the fact that the information is accurate, and that they have provided to the supervising licensee a copy of all material used with the named applicant/insured.

Expectations of the Supervising Licensee

As outlined above, the Supervision Certificate has two distinct purposes. Based on that, the role of the supervising licensee also has two distinct parts:

- the primary role of the supervising licensee is to verify that the product and amount sold are appropriate to the client's situation and needs; and
- the secondary role of the supervising licensee is to identify learning opportunities for the supervised licensee so that they can fully develop an ability to assess and meet the needs of consumers.

The supervising licensee should ensure that they receive all of the information they need from the supervised licensee in order to review the sale and assess whether the product and amount sold are appropriate to the client's situation and needs.

When the supervising licensee signs the Supervision Certificate, he or she is attesting to the fact that they have reviewed the material provided by the supervised licensee, and that the insurance applied for is appropriate to the needs and circumstances of the applicant/insured.

The supervising licensee should also take the opportunity to dialogue with the supervised licensee to fully understand the process they completed, and their reasons for the product/amount that were recommended to the applicant/insured. That dialogue should also cover any possible areas for development that the supervising licensee has identified during the review process.

Appendix B Life Insurance Replacement Declaration

Do not cancel your existing policy until the new policy is in force and you accept it. Before you cancel your life insurance policy you should have answers to the questions below. Ask any insurance agent or broker, or an independent person, for help if you need it.

Questions about your present life insurance policy

1. Why do you want to replace your policy? Is the new policy better for you? How?
2. Should you just buy more insurance or change your policy? How much will these changes cost?
3. When should you cancel your present policy? When is your next annual dividend paid? Will the timing affect your cancellation charges?
4. Will you pay more income tax if you cancel your present policy?

Questions on the advantages and disadvantages of a new life insurance policy

1. Do you understand the type of insurance policy you are buying? Is it a *term life, whole life,* or *universal life* insurance policy? You should know the differences.
2. Are there times when the new policy will not pay all the benefits that your present policy does? Examples are suicide and contestable periods and contractual exclusions.
3. Will the new policy pay as much as your present policy? Examples are death benefits, cash values, and dividends.
4. Does the new policy have the same extra, or optional, benefits as your present policy? Examples are waiver of premium, guaranteed insurability, accidental death, and family member riders.
5. Are there cancellation charges on the new policy?
6. What guarantees apply to your present and proposed policies? Which policy has the best guarantees?
7. Will either of the policy premiums (payments) go up? For how long will the premiums stay the same? How much will they increase?

***Important*: The agent needs to give you copies of the documents used to compare the two policies.**

I confirm that I have received this document.

______________________________ _______________
Client's signature **Date**

I have given the client this document, and a written explanation of the advantages and disadvantages of replacing their life insurance policy, before starting the application for a new policy.

______________________________ _______________
Agent or broker's signature **Date**

<u>Note:</u> Your agent or broker should deliver and review the new policy with you. If it is **not** satisfactory for any reason, you may have the right to reject it and receive a full refund. Check the policy for the right of rejection and the time limit for the rejection.

CONTACT INFORMATION

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Contents as of 3/18/2020 1:54:07 PM

Workstream B (1)

Sales Practices

Workstream B (1) Members

Name	Member Company
Martin Boyle, Lead	BMO Insurance

Recommended Approach

- Identify a leader for this Workstream B(1)—will reach out to this person and ask if they agree
- Get buy in to the Workplan
- Ask members of the Best Practices Working Group to volunteer for this Workstream

Features of Workstream B(1)

- Focus on sales practices
- Will overlap with the other Workstream B groups as this touches on all aspects of Workstream B

Workplan

- When members of the Workstream are finalized, **two** one-hour meetings to be called to make progress on this sub-group.
- After all Workstream B sub-groups have had their meetings, a meeting will be called of all members of Workstream B. Each Workstream B sub-group will present at this meeting on its progress, with the objective of developing a consolidated plan.

Recommended Leader

- **Martin Boyle**

Workstream B (1)
Sales Practices
Background Content

MARTIN BOYLE NOTES FROM 28 FEBRUARY 2020 MEETING

Best Practices Workstream B1 Meeting Notes (Feb 28)

3 – FCAC "…The lack of transparency about sales targets and commissions makes it difficult for consumers to determine in whose interest bank employees are acting when one product is recommended over another."

- "Recommendations" are prohibited
- Agreement that quote is more an indication of FCAC needing better understanding of industry rather than identifying a need drastic changes or commitments
- Speaks to a branch employee discussing targets for sales – employees very different from licensed advisors discussing incentives; incentives primarily built around the lending product rather than the insurance (Demonstrates some degree of confusion on FCAC's part)

Discussion and considerations re how CAFII Standards document could address "Recommendations"

- Outline the purpose of the product *(need to determine if another working group is addressing this)*
  - Need generated by loan
- Methods of sale and information provided to customers
  - Online, in branch, over phone…
  - Types of information provided
  - Purpose of the information (i.e., informed decision and informed consent)
- Inability to provide recommendations or advice (licensed activity)
- *Optional nature of the product*
  - *Sales processes, scripts and information built around optional enrollment* (ties to 36) below)

Discussion and considerations re how CAFII Standards document could address "Sales targets transparency"

- Difficult to identify other industries or sales services where corporate or individual sales targets are discussed with the customer at the point of sale – not an insurance issue
- Difficult to determine if incentives for creditor are sufficient to motivate sales behavior
- Quebec and Alberta must disclose that compensation is received (not sales target)
  - Could consider extending this type of disclosure across all provinces
- Could develop statement that CAFII members on an ongoing basis commit to monitoring and revising (when necessary) compensation and incentive practices to prevent compensation practices from incenting sale practices and conduct issues

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33&37 – FCAC: "However, it is important to highlight that banks are not required to ask consumers to reconfirm their consent for acquisition of the product after the initial 30-day period (free look period)."

"Bank employees may try to persuade consumers to purchase creditor insurance by failing to provide clear information about the 30-day first-look feature. For example, when consumers ask questions about coverage exclusions, bank employees may encourage them to purchase the product on a trial basis in order to obtain an information package, even though the information is available without purchase. During the review, the FCAC found that some consumers forget to cancel the product and incur premium payments."

- "free look" (it should be "review period")
- How problematic is it to note there is a 30-day review period during

Discussion and considerations re how CAFII Standards document could address "Review Period"

- Note materials provided to customers after enrollment
  - Welcoming package
    - Consider developing minimum standards for welcoming package (i.e., letter clearly confirms enrollment in optional product, contact info for questions and contact info for cancellation)
- Outline purpose of the review period
  - Part of decision-making process
  - Offers time to review materials provided regarding the product
  - Emphasize importance and value since its unlicensed activity
  - Emphasize that it is not a sales tool (commitment to something industry will prevent)
    - Commitment from CAFII members to review sales to ensure 30-day period not being used to entice customers into a sale
  - Provides time for applicant whose focus was likely on the lending product during the sale rather than insurance
  - Consider CAFII commitment related to monitoring cancellation rates within 30-days as method to assist identifying potential market conduct and sales practice issues

Discussion and considerations re how CAFII Standards document could address "Reconfirming Consent"

- Could consider that initially billing where premiums are first charged, including a statement reminder that premiums are being charged
- In a digital world, could consider an advance warning of the 30-day period coming to a close
- Consider location of disclosure of 30-day review period on the insurance application; may be benefits if its close to the signature

Meeting 28 February 2020
Martin Boyle—Emily Brown—Michelle Costello—Brendan Wycks—Keith Martin
Will develop principles or commitments
Many FCAC misconceptions
Products are not well-understood
Provide an overview or explanation of how the sales practices work
May have standards that we adhere to as well
Education versus revamping the industry

Develop a summary of the sales practices used by CAFII members, for the Working Group's review re possible inclusion in a best practices document.	*Findings; Sales culture, from the FCAC Domestic Bank Retails Sales Practices Review, Page 6: "…The lack of transparency about sales targets and commissions makes it difficult for consumers to determine in whose interest bank employees are acting when one product is recommended over another."*	3 Focus on "recommend one product over another" Are not "recommending" products, need established by loan No advice built into these products Don't focus on sales targets; have there been other things built into the sales process? Cancellation of sales can be a signal that sales process was not right Everyone has compliance metrics for their reps Challenge idea that commissions and targets mean there is a problem What did the banks say to the FCAC on this point? **SEND SALES PRACTICES TO KEITH** Marie Nadeau to send to Keith Misunderstanding here Are not allowed to advise Education here Do not recommend We cannot comment on suitability, just eligibility Compensation etc. is generally more for the loan product not the CPI product What is the purpose of the product? Need for insurance is generated by the need for the loan Purpose of information provided—it is to let the customer know their

		options, not around recommendations Elements related to optional nature of the product Will try to develop an outline of what we are trying to do; will be circulated to team members after this meeting Disclose compensation in Quebec and Alberta—should we offer to do this in all jurisdictions? "CAFII members will continue to review incentive programs to ensure that they do not produce inappropriate sales conduct"

Remind regulators that the "free look" period is shared in the welcome package they receive after enrolling for coverage. In the Action Item section on using better terminology, change "fee look period" to "review period." Commit to a regular communication with customers of what they had signed up for, what it covered them for, and what they were paying for the coverage. Commit that industry will not use the review period as a selling tool and that scripts and sales training will continue to emphasize that.	*Creditor Insurance; Reconfirmation of Purchase/Enrolment after "free look" period, from Financial Consumer Agency of Canada (FCAC)'s Domestic Bank Retail Sales Practices Review, p. 14: "However, it is important to highlight that banks are not required to ask consumers to reconfirm their consent for acquisition of the product after the initial 30-day period (free look period)."*	#33 NEW MEETING 17 OCT 2019 ROB DOBBINS; SCOTT KIRBY; KEITH MARTIN; MARIE NADEAU; SHARON APT This is not something we do. It is covered by the commitment made around regular communication. Should use "review period" This and #37 are linked Monitoring 30-day drop-off as a indicator of potential inappropriate behaviour Consider initial billing and first charge – reminder that now premiums are being charged

The industry commits to not enrolling customers who are not eligible for the coverage. The industry should look at additional disclosures and filters to avoid signing up *customers* for coverage for which they are not eligible. The industry could look at sharing with regulators industry's eligibility criteria. There should be an effort to come up with a common definition of "resident of Canada."	*Creditor Insurance; Consumer risks associated with creditor insurance, from Financial Consumer Agency of Canada (FCAC)'s Domestic Bank Retail Sales Practices Review, p. 14: ". . . Bank employees may sell creditor insurance to post-secondary students to go along with a personal line of credit but neglect to inform them that they need to work a minimum number of hours for the coverage to be in force."* *Improved Sales Practices, from Australian Securities & Investments Commission's "Consumer credit insurance" report, Report 622, July 2019, pp. 4, 13-16: "Lenders should use 'hard filters' for key eligibility criteria for online sales and 'knock out' questions in scripts for phone and branch sales to prevent the sale of CPI to consumers who are ineligible to claim primary cover."*	#34 and #35 Life cycle issue, coverage could change as life circumstances change. Working Group members will be asked to offer examples of filters, like age, that remove people who are not eligible for coverage.

Set out clearly for the regulators the current industry practices, including the where, when and how of current communication. Challenge this statement, noting that all training and scripts emphasize the optional nature of balance protection insurance and this statement does not reflect how CAFII members' sell this product. Where a sales person deviates from these expectations, it is taken very seriously, viewed as rogue behaviour, and is dealt with immediately. Set out how industry discloses clearly and consistently the optional nature of this coverage.	*Creditor Insurance; Consumer risks* associated *with creditor insurance, from Financial Consumer Agency of Canada (FCAC)'s Domestic Bank Retail Sales Practices Review, p. 14: ". . . Front-line employees may sell creditor insurance by advising consumers that "the credit card comes with balance protection," which may give consumers the impression that creditor insurance is a card feature, as opposed to what it really is: a separate and optional product."*	#36 Provide examples of our practices. Look at ways to present this and what to avoid in terms of language. Do not believe this is a systemic issue.

See Item #36. Look at whether there are terminology changes in this section that industry should consider.	*Creditor Insurance; Consumer risks associated with creditor insurance, from Financial Consumer Agency of Canada (FCAC)'s Domestic Bank Retail Sales Practices Review, p. 14: "Bank employees may try to persuade consumers to purchase creditor insurance by failing to provide clear information about the 30-day first-look feature. For example, when consumers ask questions about coverage exclusions, bank employees may encourage them to purchase the product on a trial basis in order to obtain an information package, even though the information is available without purchase. During the review, the FCAC found that some consumers forget to cancel the product and incur premium payments."*	#37 This represents a biased view. Industry is operating appropriately. It is not necessary to continuously repeat that the customer can cancel. "Free look" term is problematic. Need to take on new terms, perhaps with other members from other workstreams. **Ask the rest of the group if anyone would like to take this on.** Should we speak of a "30 day return period" or "30 day cancellation period"? Or 30 day review period? Could describe materials provided after sale Materials in welcome package Outline purpose of review period Gives customer time to consider product NOT a sales tool

Workstream B (2)

Sales Communication

Workstream B (2) Members

Name	Member Company
TO BE CONFIRMED	

Recommended Approach

- Identify a leader for this Workstream B(2)—will reach out to this person and ask if they agree
- Get buy in to the Workplan
- Ask members of the Best Practices Working Group to volunteer for this Workstream

Features of Workstream B(1)

- Focus on sales communication-how do we communicate with our customers?
- A key issue is how prescriptive we wish to be—do we say "communicate regularly" or "communicate no less than once a year with clear information on how to cancel a policy if you no longer wish to keep it"?

Workplan

- When members of the Workstream are finalized, **one** one-hour meeting to be called to make progress on this sub-group.
- After all Workstream B sub-groups have had their meetings, a meeting will be called of all members of Workstream B. Each Workstream B sub-group will present at this meeting on its progress, with the objective of developing a consolidated plan.

Recommended Leader

- **TO BE CONFIRMED**

Workstream B (2)
Sales Communication
Background Content

Sales Communication

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

Workstream B (3)

Post Sales Conduct

Workstream B (3) Members

Name	Member Company
Rob Dobbins, Lead	Assurant

Recommended Approach

- Identify a leader for this Workstream B(3)—will reach out to this person and ask if they agree
- Get buy in to the Workplan
- Ask members of the Best Practices Working Group to volunteer for this Workstream

Features of Workstream B(3)

- Focus on post sales conduct
- Will overlap with the other Workstream B groups but need to emphasize the process after the sale is complete—what are the special features around post-sales conduct, including claims?

Workplan

- When members of the Workstream are finalized, **two** one-hour meetings to be called to make progress on this sub-group.
- After all Workstream B sub-groups have had their meetings, a meeting will be called of all members of Workstream B. Each Workstream B sub-group will present at this meeting on its progress, with the objective of developing a consolidated plan.

Recommended Leader

- **Rob Dobbins**

Workstream B (3) **Post Sales Conduct** **Background Content**

Post Sales Conduct

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

Explore ways in which to ensure customers who sign up for a product are eligible to make a claim on it, and identify what the industry could commit to – in terms of a high-level principle or best practice -- that would improve regulators' comfort that customers are not being enrolled in products for which they are not able to make a claim.	*Improved Sales Practices, from Australian Securities & Investments Commission's "Consumer credit insurance" report, Report 622, July 2019, pp. 4, 13-16: "Lenders should take into account information they have about the consumer to ensure consumers are not being sold a CPI policy where they are ineligible to claim (this does not have to mean that personal advice is being provided)."*	#48 Working group See sections 23, 34 and 35

Workstream B (4)

Sales Practices Controls and Training Including in Different Channels

Workstream B (4) Members

Name	Member Company
Karyn Kasperski	RBC Insurance

Recommended Approach

- Identify a leader for this Workstream B(4)—will reach out to this person and ask if they agree
- Get buy in to the Workplan
- Ask members of the Best Practices Working Group to volunteer for this Workstream

Features of Workstream B(4)

- Focus on controls and training
- Emphasis on process and procedures

Workplan

- When members of the Workstream are finalized, **two** one-hour meetings to be called to make progress on this sub-group.
- After all Workstream B sub-groups have had their meetings, a meeting will be called of all members of Workstream B. Each Workstream B sub-group will present at this meeting on its progress, with the objective of developing a consolidated plan.

Recommended Leader

- **Karyn Kasperski**

Workstream B (4)
Sales Practices Controls and Training Including in Different Channels
Background Content

Sales Practices Controls and Training Including in Different Channels

Document the procedures and controls used by insurers and intermediaries, including front end controls, competency development, training and education, scripting, and monitoring and controls. Note that where improper behaviour is identified, it is dealt with immediately. Listening to small numbers of calls can identify broader issues that can be dealt with immediately. The industry could also update and enhance training based on expanded regulatory expectations. We should also tie remediation to the fair treatment of customers.	*Creditor Insurance; Controls for creditor insurance sales practices; Scripts and cues, from Financial Consumer Agency of Canada (FCAC)'s Domestic Bank Retail Sales Practices Review, p. 15: ". . . Banks do not have adequate controls in place to ensure employees follow scripts, clearly explain terms and conditions, and avoid using undue sales pressure. Oversight is greater in call centres where calls are recorded, but only a very small number are reviewed for compliance with the bank's code of conduct and market conduct obligations. In the branch environment, banks largely rely on branch managers, assistants and supervisors to prevent mis-selling."*	#38 Working group Follow cancellation rates in order to reinforce training in branches where cancellation rates are higher. Robust training programs and-Certification of training (face to face selling harder to monitor than sales through call centers in the absence of recording) MYSTERY SHOPPING? WHO WOULD DO IT?
Develop best practices guidelines to address each of these specific expectations.	*Controls for sales practices; Telephone channel, from Financial Consumer Agency of Canada (FCAC)'s Domestic Bank Retail Sales Practices Review, pp. 20-21: ". . . FCAC found that in bank call centres where employees take1,400 calls per month, generally up to 4 calls are reviewed for quality assurance purposes. . . . Banks should review a higher number and larger proportion of calls for quality assurance. Implementing voice analytic technology could reduce the costs associated with reviewing more calls. In addition, call selection should be risk-based instead of random. When sales practices issues are identified during call reviews, banks should perform significantly more root-cause analyses."*	#39 Working group Call selection should be risk based instead of random Quality of sampling should be prioritized to quantity for monitoring. Smaller samples could be reviewed more regularly Oversight should focus on risk items. QUALITY NOT QUANTITY IS WHAT IS IMPORTANT

The industry should commit to ongoing competency development. It was felt that instead of certification, there could be a commitment to industry standards around member courses. Industry could commit to ongoing training and to knowledge retention testing. Industry could commit to strengthened training.	*Creditor insurance; controls for creditor insurance sales practices; Training, from Financial Consumer Agency of Canada (FCAC)'s Domestic Bank Retail Sales Practices Review, p. 15: "The review revealed that bank employees are not always adequately informed or knowledgeable about creditor insurance products. . . . During FCAC branch visits, employees provided inaccurate and incomplete information about the benefits, coverage and exclusions associated with creditor insurance when answering questions about how they sell the product. FCAC is of the view that there is room to strengthen the training of front-line staff.*	#40 Working group Group agrees that appropriate training should be strengthened

Create a high-level principle around the assertion that all employees must be trained and monitored around sales practices, and only acceptable and appropriate sales practices will be practiced.	*Cross-Selling, from Financial Consumer Agency of Canada (FCAC)'s Domestic Bank Retail Sales Practices Review, pp. 11-12: "Banks' heightened focus on cross-selling may increase the risk that they will fail to obtain consumers' express consent. . . . increases the risk that bank employees will feel rushed and not communicate in a manner that is clear, simple and not misleading when obtaining a consumer's consent."*	#43 Working group See section 38.

Identify and detail a list of actions which organizations can take to ensure express consent is obtained, across all applicable channels, for possible inclusion in a high-level principle or best practice.	*Controls for Cross-Selling Risk/Consent, from Financial Consumer Agency of Canada (FCAC)'s Domestic Bank Retail Sales Practices Review, p. 12: "The controls in place to ensure banks obtain consumers' consent through communication that is clear, simple and not misleading are typically weaker in the branch channel when compared to call centre operations. . . . In branches, managers and customer service supervisors are responsible for ensuring that employees read the scripts and cues. However, FCAC found that branch managers and supervisors are not well-positioned to ensure that express consent is always obtained in the prescribed manner."*	#44 Working group See section 38. Follow cancellation rates and reinforce training if required in branches where rates are higher Monitoring could be accomplished by mystery client tool. Monitoring could be accomplished by Internal audit or other sector of branch/insurer.

Relegate this item to the "Not Applicable" section, as while the industry is in agreement that quality express consent is required, pre-consent to even broach making an offer of credit protection insurance to a consumer is not applicable to the Canadian market/industry context.	*Improved Sales Practices**/Consent, from*** *Australian Securities & Investments Commission's "Consumer credit insurance" report, Report 622, July 2019, pp. 4, 13-16: "Lenders should obtain and record positive, clear and informed consent before discussing the sale of CPI with a consumer."*	#45 Working group Will not comment.
Research best practices around call calibration including level of sample size, and explore committing industry to those best practices. Examine whether there are cases where certain products are not appropriate for certain customers, and whether that is something we would feel able to commit to including in our sales practices.	*Controls for Cross-Selling Risk, from Financial Consumer Agency of Canada (FCAC)'s Domestic Bank Retail Sales Practices Review, pp. 12-13: "Banks record most conversations between consumers and call centre employees, which allows them to review transactions to verify whether employees are following the scripts and properly obtaining the consent of consumers. However, the review revealed that banks examine only a relatively small number of calls – too few, in fact, to provide a high-level of confidence that individual call centre employees are in compliance with policies and procedures related to obtaining consent."*	#46 Working group This section is similar to sections 38 and 39. Risk based approach to selection of calls should prioritized (the fact that an employee knows he/she might be listened to will ensure better service). Depending on concerns, scripts can be enhanced or employee retrained.

Workstream B (5)

Sales Practices -- Cancellations of Policies / Conflicts of Interest (From Workstream C)

Workstream B (5) Members

Name	Member Company
TO BE CONFIRMED	
Sharon Apt, volunteer	Canada Life

Recommended Approach

- Identify a leader for this Workstream B(5)—will reach out to this person and ask if they agree
- Get buy in to the Workplan
- Ask members of the Best Practices Working Group to volunteer for this Workstream

Features of Workstream B(5)

- Focus on cancelling policies and managing conflicts of interest

Workplan

- When members of the Workstream are finalized, **one** one-hour meetings to be called to make progress on this sub-group.
- After all Workstream B sub-groups have had their meetings, a meeting will be called of all members of Workstream B. Each Workstream B sub-group will present at this meeting on its progress, with the objective of developing a consolidated plan.

Recommended Leader

- **TO BE CONFIRMED**

Participants

Sharon Apt

Workstream B (5) **Sales Practices -- Cancellations of Policies / Conflicts of Interest (From Workstream C)** **Background Content**

Sales Practices -- Cancellations of Policies / Conflicts of Interest (From Workstream C)

Explore applying a form of Quebec's RADM S35 as an industry practice, or alternatively explore clawbacks of commissions when certain cancellation thresholds are met.	*Creditor Insurance; Controls for creditor insurance sales practices; Claw backs from Financial Consumer Agency of Canada (FCAC)'s Domestic Bank Retail Sales Practices Review, p. 15: "Banks gather some data on cancellation rates, but they may not necessarily reflect instances of mis-selling as consumers may cancel the insurance for other reasons. Further analysis of cancellations by banks would enable the data to be used to monitor, identify and address sales practices risk."*	#41 Working group Group agrees that data analysis is already done by branches/insurer and might not need to be increased. Nevertheless, group suggests increasing the use of data cancellation to identify and address sales practices risks.
Develop a checklist of what to avoid in the area of conflicts of interest, and how to avoid those issues, for the Working Group's review re possible inclusion in a best practices document.	*Conflicts of Interest, from the CCIR/CISRO FTC Guidance, pp. 14-15: "CCIR and CISRO expect that any potential or actual conflicts of interest be avoided or properly managed and not affect the fair treatment of Customers."*	5
Review possible non-financial incentives that could be used to motivate sales forces, for possible inclusion in a high-level principle or industry best practice.	*Performance management; Non-financial incentives and Sales targets; Scorecards, from Financial Consumer Agency of Canada (FCAC)'s Domestic Bank Retail Sales Practices Review, pp. 8-10: "When properly designed, non-financial incentives can promote good sales practices and behaviours. The review identified opportunities for banks to significantly enhance the design, monitoring and oversight of non-financial rewards programs.* *. . . a number of banks have introduced, or are testing, activity-based targets to complement sales targets. This can mitigate the risk of mis-selling, as*	#49

	employees are recognized for sales-related activities even in circumstances where consumers choose not to purchase any products or services. *. . . Some banks have taken steps to integrate more team-based sales targets, which may mitigate the risk of mis-selling by reducing the pressure on individual employees to sell products and services.* *. . . Product-neutral sales targets could greatly mitigate the risk of mis-selling financial products and services to consumers.* *. . . Banks point to balanced scorecards as a key control to mitigate the risk of mis-selling and breaching market conduct obligations. In practice, however, the metrics used to assess an employee's sales results tend to be significantly more robust than those used to assess other areas of performance."*	

Workstream C

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

Items #5, 49; and #7, 42

UPDATE 17 October 17, 2019

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

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

Discuss non-financial incentives *

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

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

Discussed providing commentary on the consequences of bad behavior

Arrive at standard metrics to monitor (KRI`s)

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

Look at competences

What does success look like?
Code of conduct or issue a consumer document on proper behavior / expectations of the consumer (role of seller & buyer)

Outsourcing
Applies to all outsourcing arrangements including insurers

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

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

7 November 2019—

B and Incentives will be merged
Outsourcing will be branched off and we need to get an insurer and SME
ASKING FOR 2 INSURERS
Sharon Apt will do it or find someone
Monika Spudas will get back to us

SHARON AND MONIKA WILL WORK ON OUTSOURCING FOR THE WORKPLAN
NEXT STEP IS TO DEVELOP THE OUTSOURCING WORKPLAN
SEE #7

After workplan is developed need to ask for volunteers again

Workstream C Members

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

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

	employees are recognized for sales-related activities even in circumstances where consumers choose not to purchase any products or services. *. . . Some banks have taken steps to integrate more team-based sales targets, which may mitigate the risk of mis-selling by reducing the pressure on individual employees to sell products and services.* *. . . Product-neutral sales targets could greatly mitigate the risk of mis-selling financial products and services to consumers.* *. . . Banks point to balanced scorecards as a key control to mitigate the risk of mis-selling and breaching market conduct obligations. In practice, however, the metrics used to assess an employee's sales results tend to be significantly more robust than those used to assess other areas of performance."*	

Action Item	**Wording Excerpt Reference From 3 October, 2019 Thought Starter**	**Number Reference, 3 October Thought Starter**
Develop a best practices statement on outsourcing, which is precise but not overly prescriptive, for the Working Group's review re possible inclusion in a best practices document.	*Outsourcing, from CCIR / CISRO FTC Guidance, pp. 16-17: "CCIR and CISRO expect that functions related to conduct of insurance business outsourced to service providers do not hinder the quality of services or jeopardize the Insurer's or the Intermediary's ability to achieve fair treatment of Customers."*	7 CBA has an authorized insurance products code of conduct
Create a high-level principle around the assertion that the industry must have the same oversight over third-party sellers as it does over internal sales forces. In principle, the oversight should/must not be weaker	*Creditor Insurance; Controls for creditor insurance sales practices; Third-party sellers, from Financial Consumer Agency of Canada (FCAC)'s Domestic Bank Retail Sales Practices Review, pp. 15-16: "General, re litany of FCAC concerns re "Consumer risks associated with third-party sellers"; in particular "bank*	42

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

Workstream D

Workstream #5 Product Design

Items #8, 10, 13

Workstream D Members

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

Spokesperson Joanna Onia

UPDATE FROM JOANNA NOV 1 2019

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

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

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

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

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

Thank you

Joanna

7 November 2019

Andrea, Martin, Monika all were concerned about suggesting that bundling is a problem
Should push back on that
Need to respond to what the consumer wants
"let's not paint members into a corner"
Keith noted that regulators are raising bundling more so we may want to think about how we want to respond to any such concerns

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

Workstream E

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

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

Workstream E Members

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

Karyn Kasperski Spokesperson

UPDATE BY KARYN KASPERSKY—9 January 2020
CAFII Workstream E – Draft Guiding Principles

1. Reference item #15 – "CCIR/CISRO expect that a Customer is given appropriate information to make an informed decision before entering into a contract"
   a. Agreement on draft Guiding Principle to be brought forward to Working Group – As a best practice, all members will provide a summary (associated with the product the consumer is considering) of the coverage, exclusions and any limitations in clear, simple language such that an informed decision before entering into a contract.
   b. Action item – Brendan to obtain permission and then provide a copy to this working group of one of members' product summary under development

2. Reference item #14 – Support the concept of "quality consent" that is equally met in each channel, with the following criteria: Question posed to a client for a product or service provided with the ability to decline; Use language and be presented in a way that the offer is clear to the client(s), with an affirmative response received from the client.
   a. Agreement on draft Guiding Principle – As a best practice, all members will, prior to a consumer entering into a contract, articulate a clear request for consent prior to enrollment. The question should be presented in a way that is clear to the client with a clear affirmative response received. Suggestions for clear questions (discussion with Working Group – should these be part of the guiding principle)?
      i. Bradley Kuiper (Scotiabank) provided the question his organization is working with "Do you understand and agree that you are applying for optional (Product/Product Name) and consent to have the product set up for you?"
      ii. Suggestion #2 - Do you agree and consent to enroll based on terms and conditions I have provided you?"
   b. Suggestions for clear affirmative response received (**discussion with Working Group** – should these be part of the guiding principle)? "yes", ~~"yeah"~~, "OK", "I agree"

c. **Discussion with Working Group** - if the clear affirmative response is not provided, clarification must be obtained from the client with the affirmative response – Example "In order to proceed, I require an affirmative response of either "yes", "OK" or "I agree"

3. Reference item #18, #19 – "CCIR and CISRO expect that product promotional material is accurate, clear, not misleading and consistent with the result reasonably expected to be achieved by the Customer of the product"
   a. Agreement on draft Guiding Principle - "All members as a best practice are expected to develop and maintain policies, procedures and controls around promotional messages developed and ensured they are reviewed and adhere to applicable laws and regulations regarding fair representation of products".

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

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

7 June 2019
AMF Product Summary—should we offer this to consumer throughout the country?
Bundling versus unbundling issue
How deal with a student in a bundled product that includes job loss? May not qualify for some components. Should the offer even be made if they cannot qualify for certain benefits based on their circumstances?
Item #14 is next to be discussed
May need to discuss Certificate of Insurance
Martin—instead of AMF Summary, why not look at certificate?

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

criteria: Question posed to a client for a product or service provided with the ability to decline; Use language and be presented in a way that the offer is clear to the client(s), with; An affirmative response received from the client(s).	*strategies are tailored to the product, consider the interests of the targeted Consumer groups and result in consistent Consumer protections independently of the distribution model chosen."*	

Action Item	**Wording Excerpt Reference From 3 October, 2019 Thought Starter**	**Number Reference, 3 October Thought Starter**
Action Item for #18 applies to this item as well. **CROSS REFERENCE TO #18**	*Distribution Strategies, from CCIR / CISRO FTC Guidance, p. 21: "CCIR and CISRO expect that a Customer is given appropriate information to make an informed decision before entering into a contract."*	15
Industry agrees fully with these principles and will adhere to them. **CROSS REFERENCE TO #15** **ITEM #18 ALSO IN WORKSTREAM #7 PRODUCT PROMOTION AND ADVERTISING**	*Product Promotion, from CCIR/CISRO FTC Guidance, p. 22: "CCIR and CISRO expect that product promotional material is accurate, clear, not misleading and consistent with the result reasonably expected to be achieved by the Customer of the product."* *Product Advertising, from AMF Sound Commercial Practices Guideline, p. 16: "The AMF expects that product advertising is accurate, clear and not misleading."*	18 19

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

	Product Advertising, from AMF Sound Commercial Practices Guideline, p. 16: "The AMF expects that product advertising is accurate, clear and not misleading."	

Workstream F

Workstream #10 Claims; and #11 Complaints Handling

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

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

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

NEED AN SME TO JOIN GROUP

8 January 2020
Let's try to get some SLAs
Could try to get a high level principle and then get the details … simplicity, diligence, process, accessible etc.
One component of diligence is timing
"roll the sleeves up working group session"
Two components: 100% within 5 business days
Definition of action—claim set up
This relates to diligence part
Need to look at different components
"Fairly settled"
"What is accessible?"
"How communicated"
Could move in this direction if we don't have data from members on what they are doing
Need to make sure people close to claims are in agreement with the approach we are taking, some are closer to this than we are; and that they are in agreement with the proposals
"Need an outline of what we are looking for in the principles" – can have an outline of a principle, then can get into the details later
Need to show Board some progress
Need to show at least an outline of what the principles are

FOR EXAMPLE:
Claims – principles will address immediate, fairness, claims procedure
Experience—timing for action, timing for settlement
Fairness—need to figure that out
Procedure—has to be developed by insurer, has to be made public (what does that mean?), etc.
Simplicity—language principles etc.
Rob will take a crack at doing this initial outline for this Thursday, 9 January 2020 meeting

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

First need to develop an outline
FCAC definition of complaint is too broad
Probably need to be cautious about using their definition
Want to eliminate complaints that should not be captured like branch lineup is too long

EMAIL FROM MARTIN BOYLE, 8 January 2020

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

Claims Ps will address the following areas

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

Complaints Ps will address the following areas

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

Hope that this helps.

Martin

7 November 2019
Asked for Claims and Complaints SME
CUMIS will try to find a claims SME
Still need a SME from complaints
Request to send information to Keith on parameters / analytics around claims handling
Floating industry SLA as an idea, need to hear from individual members on this
Martin will look at complaints SME
Jamie Paradis BMO Insurance
Isabelle West BMO Insurance

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

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

Workstream G

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

Items #30, 31, 32

Workstream G Members

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

Spokesperson: Andrea Stuska
October meeting—Spokesperson: Brendan for Andrea Stuska

7 June 2019
Have held two meetings
Good practices are already in place
Point to the things already being done / that industry adheres to (FCT, AMF Sound Commercial Practices, PIPEDA, IAIA Core Principles)
Demonstrate how report and monitor
How maintain relationship with regulators—provide those examples

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

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

Members of the Working Group on Credit Protection Insurance Industry Best Practices

BMO Insurance
Martin Boyle, EOC Chair, BMO Insurance, Co-Chair of the Working Group
Greg Caers
Rebecca Saburi

RBC Insurance
Karyn Kasperski, Co-Chair of the Working Group

Assurant
Rob Dobbins

Canada Life Assurance
Sharon Apt

Canadian Premier Life/Valeyo
Dana Easthope
Asma Desai, Canadian Premier Life

CUMIS/The Co-operators
Michelle Costello

CIBC Insurance
Joanna Onia
Parminder Rai

Desjardins Financial Security
Isabelle Choquette
Nathalie Baron

Manulife Financial
Monika Spudas

National Bank Insurance
Michele Jeanneau
Luce Doyon
Marie Nadeau
Caroline Cardinal
Audrey Delage

ScotiaLife Financial
Brad Kuiper
Denzyl Monteiro

TD Insurance
Jeremy Flanagan
Andrea Stuska
Scott Kirby
Kathy Hawkins
Hassan Khawaja

Staff
Brendan Wycks, CAFII Co-Executive Director
Keith Martin, CAFII Co-Executive Director

MEETINGS OF THE WORKING GROUP

Participants 17 October, 2019 1-2pm
Greg Caers BMO
Marie Nadeau National Bank
Rebecca Saburi BMO
Karyn Kasperski RBC and Chair
Monica Spudas Manulife
Brad Kuiper Scotiabank
Scott Kirby TD
Sharon Apt Canada Life
Jeremy Flanagan TD Insurance
Rob Dobbins Assurant
Joanna Onia CIBC
Parm Rai CIBC

Participants 7 November 2019
Martin Boyle, Co-Chair
Karyn Kasperski, Co-Chair
Greg Caers, BMO Insurance
Monika Spudas, Manulife Financial
Michelle Costello, CUMIS Services Inc.
Marie Nadeau, National Bank Insurance
Andrea Stuska, TD Insurance
Rob Dobbins, Assurant
Kathy Hawkins, TD Insurance
Rebecca Sapuri, BMO Insurance
Brendan Wycks, CAFII
Keith Martin, CAFII

NEXT STEPS ACTIONS GENERAL 7 NOVEMBER 2019

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

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Agenda Item 6(i)

March 24/20 EOC Teleconference Meeting

From: Apt, Sharon <Sharon.Apt@canadalife.com>
Sent: March 19, 2020 10:47 AM
To: Keith Martin <Keith.Martin@cafii.com>; Brendan Wycks <brendan.wycks@cafii.com>
Subject: AMF deadlines regarding Bill 141 and annual DWR disclosure

Good morning Keith and Brendan,

I hope you're both doing well and staying safe. I was discussing both bill 141 implementations and the DWR disclosure deadline (May 1, 2020) with our team and distributors and there will be difficulties achieving both given that most of us are working from home now and access to systems and information is not readily available. I'm wondering if this has been brought up already by other CAFII members and if we could add it to our next EOC meeting for discussion.

Thank you,

Sharon Apt
Compliance Consultant, Creditor Insurance and Direct Marketing
The Canada Life Assurance Company

From: Swati Agrawal <Swati.Agrawal@fsrao.ca>
Sent: March 19, 2020 11:45 AM
To: Keith Martin <Keith.Martin@cafii.com>
Subject: Hello

Hi Keith,

Trust all is well. It was nice seeing you the other day and I'm wondering how CAFII and your member companies are doing in light of the recent COVID-19 situation?

Do you see this affect underwriting, claims handling, any client concern themes you see so far? Would like to get your thoughts.

We've just started to receive inquiries on business interruption insurance and a bit on underwriting of travel insurance.

We've moved to working from home so staff can socially distance throughout COVID-19. Otherwise, we're trying to carry on with supervisory activities as usual to the extent possible.

Please let me know when you have a quick moment and we could schedule something.

Thanks & Regards,

Swati

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Agenda Item 6(k)
March 24/20 EOC Teleconference Meeting

From: Ewen, Dallas <dallas.ewen@canadalife.com>
Sent: February-14-20 5:58 PM
To: Brendan Wycks <brendan.wycks@cafii.com>
Subject: RE: Proposed Amendments To Regulations Under Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada); and Potential Impact Upon Life Insurers, Brokers, and Agents

As CAFII members will be aware, the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada) is a federal statute that imposes compliance obligations on entities, with the objectives of detecting and deterring money laundering and terrorist financing, responding to the threat of organized crime by providing needed information to law enforcement, and to assist in fulfilling Canada's international commitments to fight transnational crime, particularly money laundering, and to fight against terrorist activity.

Life insurance companies have limited compliance obligations under this law, related to life insurance and annuity products.

However, the Regulations under the Act have been revised to provide that life insurance companies, brokers and agents are now subject to the same obligations as financial entities when they offer loans or pre-paid products to the public, or maintain accounts with respect to such products.

The following types of loans, though, are exempt:

- Policyholder loans made with respect to terminal illnesses ("life advances");
- Policyholder loans made to finance the policy;
- Advance payments to which the policyholder is entitled.

In addition, life insurance companies will be required to make a PEP (politically exposed person) determination in cases where they remit $100,000 or more over the duration of an annuity or life insurance policy. Life companies will of course remain subject to the rules regarding recordkeeping and reporting suspicious transactions.

The new regulatory requirements for life insurance companies are noted to come into force on June 1, 2021."
http://gazette.gc.ca/rp-pr/p2/2019/2019-07-10/html/sor-dors240-eng.html

Regards,
Dallas G. Ewen
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Agenda Item 6(l)
March 24/20 EOC Teleconference Meeting

Proposed Approach and Target Dates For
CAFII Fall 2020 Atlantic Canada Insurance Regulators and Policy-Makers Visits
(Based On Member Feedback Arising From Fall 2019 CAFII Western Canada
Insurance Regulators and Policy-Makers Visits Tour; and January 21/20 EOC Meeting)

Option A

New Brunswick and Prince Edward Island (in that order)

- two consecutive days in the Wednesday, September 23/20 to Friday, September 25/20 timeframe

Nova Scotia and Newfoundland and Labrador (in that order)

- two consecutive days in the Wednesday, October 7/20 to Friday, October 9/20 timeframe

Option B

New Brunswick and Prince Edward Island (in that order)

- two consecutive days in the Wednesday, October 7/20 to Friday, October 9/20 timeframe

Nova Scotia and Newfoundland and Labrador (in that order)

- two consecutive days in the Wednesday, October 21/20 to Friday, October 23/20 timeframe

Option C

New Brunswick and Prince Edward Island (in that order)

- two consecutive days in the Wednesday, October 21/20 to Friday, October 23/20 timeframe

Nova Scotia and Newfoundland and Labrador (in that order)

- two consecutive days in the Monday, October 26/20 to Friday, October 30/20 timeframe

Option D

New Brunswick and Prince Edward Island (in that order)

- two consecutive days in the Wednesday, September 23/20 to Friday, September 25/20 timeframe

Nova Scotia and Newfoundland and Labrador (in that order)

- two consecutive days in the Wednesday, October 21/20 to Friday, October 23/20 timeframe

Option E

New Brunswick and Prince Edward Island (in that order)

- two consecutive days in the Wednesday, October 7/20 to Friday, October 9/20 timeframe

Nova Scotia and Newfoundland and Labrador (in that order)

- two consecutive days in the Monday, October 26/20 to Friday, October 30/20 timeframe