

CAFII Executive Operations Committee Teleconference Meeting Agenda

Date: Thursday, October 29, 2020

Chair/Facilitator: B. Wycks and K. Martin

Location: Teleconference-Only

Time: 2:00 – 3:30 p.m. EST

Dial-in: 416-477-0921/514-447-8925/1-888-543-2449

Pin #: 1500

1. Welcome, Call to Order, and Priority Matters	2:00 p.m.	Presenter	Action	Page #	Document
a. Call to Order		B. Wycks		3	
b. EOC Chair Succession		B. Wycks/K. Martin	Update	4	

2. Consent Items	2:03 p.m.	Presenter	Action	Page #	Document
a. Consultations/Submissions Timetable				6	✓
b. Regulatory Update				7	✓
c. Regulator and Policy-Maker Visit Plan				18	✓
d. Summary of Board and EOC Action Items				20	✓
e. CAFII Submission To FCNB On Informal Consultation on Contemplated Changes To Life Insurance and Accident & Sickness Insurance Parts of New Brunswick Insurance Act				22	✓ (2)
f. Board-Approved Schedule of CAFII 2021 Board and EOC Meeting Dates				42	✓

3. Financial Management Matters	2:05 p.m.	Presenter	Action	Page #	Document
a. CAFII Financial Statements as at September 30/20		T. Pergola	Update	44	✓
b. Forecast For CAFII 2020 Fiscal Year as at September 30/20		T. Pergola	Update	48	✓
i. Preliminary Draft of CAFII 2021 Operating Budget (Incorporating Assumptions and Related Feedback From CAFII Board on October 15/20)		T. Pergola	Update/ Discussion	51	✓

4. Committee Updates	2:20 p.m.	Presenter	Action	Page #	Document
a. Research & Education		A. Stuska			
i. Next Steps In Implementing Board-Approved CAFII 2020 Consumer Research Project With Pollara Strategic Insights, Including Creation Of Working Group To Assist Research & Education Committee In Developing Survey Questions		A. Stuska/K. Martin	Update/ Discussion	54	✓
b. Media Advocacy		C. Blaquiere	Update		
i. CAFII Motion Graphic Website Video On Credit Protection Critical Illness Insurance and Disability Insurance; and New Website Vignettes and FAQs On CAFII Member Products		K. Martin	Update	58	
ii. CAFII Website Enhancement To Effect Board Request Re Facilitating Consumers' Filing Of Credit Protection Insurance and Travel Insurance Claims With CAFII Members		K. Martin	Update	59	
c. Market Conduct & Licensing		B. Kuiper	Update		
i. Insights Gained From October 26/20 AMF Background/Launch Webinar For CAFII On Two Current Industry Consultations		B. Wycks/K. Martin	Update	62	✓
ii. Development Of CAFII Response Submission On AMF's Updating Of "Sound Commercial Practices Guideline"		B. Wycks/K. Martin	Update	93	
iii. Development of Response Submission On AMF's New "Regulation On Complaints"		B. Wycks/K. Martin	Update	94	
iv. Development of CAFII Response Submission on FSRA's Unfair or Deceptive Acts or Practices (UDAP) Rule		K. Martin	Update	95	
v. Development of CAFII Response Submission on FSRA's Fiscal Year 2021-22 Proposed Statement of Priorities and Budget		K. Martin	Update	97	✓
d. Travel Medical Insurance Experts		A. Baig	Update	127	
e. Networking & Events		S. Kirby/J. Lewsen	Update		
i. CAFII Board Feedback On Possible Webinar Or Other Virtual Event Immediately Following December 1/20 CAFII Board Meeting		B. Wycks	Update	128	

5. Recent and Upcoming Strategic and Regulatory Initiatives	2:50 p.m.	Presenter	Action	Page #	Document
a. Insights Gained From October 21/20 CAFII 2020 Annual Members' Luncheon Webinar Presentation By FCAC On Financial Consumer Protection Framework		B. Wycks	Update	129	✓

b.	CAFII Board Directive/Request For Ongoing EOC Engagement In Monitoring FCAC's Development Of "Appropriateness Guideline" and Related Sharing of Members' Insights	K. Martin	Update/ Discussion	132	✓
c.	Feedback From CAFII Board On Briefing Note On Quebec Bills 53 and 64	K. Martin	Update	138	✓
d.	Impact Of COVID-19 On CAFII Members, Credit Protection Insurance and Travel Insurance				
i.	Insights Gained From October 15/20 CAFII/AMF "Industry Issues Dialogue," Including Position On Denial Of Trip Cancellation Travel Insurance Claims Where Insured Has Also Received An Airline Or Other Travel Services Provider Voucher	B. Wycks/K. Martin	Update	152	
ii.	Insights Gained From CAFII/CLHIA/THIA Weekly Calls Re Impact Of COVID-19 On Travel Insurance Industry	B. Wycks/K. Martin	Update	153	

6.	Governance Matters	3:10 p.m.	Presenter	Action	Page #	Document
a.	Draft Minutes of September 22/20 EOC Teleconference Meeting		B. Wycks	Approval	154	✓
b.	Draft Minutes of October 15/20 CAFII Board Teleconference Meeting		B. Wycks	Approval	163	✓
c.	Documentation of CAFII HR Policy Re Co-Executive Directors Performance Review Process		M. Boyle	Update	170	

7.	Read Only Items		Presenter	Action	Page #	Document
a.	CAFII Board Approval of Dedicated/Special Purpose Early 2021 Board Meeting To Review and Update CAFII Strategic Plan		K. Martin	Update	171	✓
b.	AMF Response To CAFII's July 7/20 "Creative Solutions" Submission to AMF on Degree to Which Industry Can Meet Its Requirements Around RADM's Application to Credit Card-Embedded Insurance Benefits		K. Martin/ B. Wycks	Update	178	Briefing Note Only
c.	CAFII Quarterly CPI Benchmarking Study With RSM Canada		K. Martin	Update	179	Briefing Note Only
d.	Launch of Saskatchewan RIA Advisory Committee		B. Wycks/K. Martin	Update	180	Briefing Note Only

8.	Other Business	3:15 p.m.	Presenter	Action	Page #	Document

9.	In Camera Session	3:20 p.m.	Presenter	Action	Page #	Document
			TBA (Volunteer Needed)			

10.	Tracking Issues		Presenter	Action	Page #	Document
a.	FCNB Insurance Act Rewrite (Including Linked Plan to Introduce an RIA Regime)					
b.	BC Drafting of Regulations To Implement Financial Institutions Amendment Act, 2019					
c.	FCAC: Phase 2 of Domestic Bank Retail Sales Practices Review					

Next EOC Meeting: Tuesday, November 17/20, 2:00 to 4:00 p.m., Teleconference-Only Meeting

Next Board Meeting: Tuesday, December 1/20, 2:00 to 4:30 p.m. Teleconference-Only Meeting

Briefing Note

CAFII EOC Meeting 29 October 2020—Agenda Item 1(a) Call to Order

Purpose of this Agenda Item

Start of meeting.

Background Information

Recommendation / Direction Sought -- *Update*

Update only.

Attachments Included with this Agenda Item

No attachments.

Briefing Note

CAFII EOC Meeting 29 October 2020—Agenda Item 1(b) EOC Chair Succession

Purpose of this Agenda Item

EOC Chair Martin Boyle has stepped down and CAFII is seeking a successor Board Secretary and EOC Chair.

Background Information

Martin Boyle has been in his role as Board Secretary and EOC Chair for nearly two years, and due to other work commitments he has decided to step down. CAFII is seeking a new Board Secretary and EOC Chair to succeed Martin Boyle. The EOC will be provided with an update on progress on this file.

Recommendation / Direction Sought -- Update

This is an update only.

Attachments Included with this Agenda Item

No attachments.

Briefing Note

CAFII EOC Meeting 29 October 2020—Agenda Item 2 (a-f) Consent Items

Purpose of this Agenda Item

To provide documentation for the EOC to review, which does not require updates, discussion, or decisioning.

Background Information

The seven Consent Items that do not require any discussion or decisions are:

- Consultations/Submissions Timetable
- Regulatory Update
- Regulator and Policy-Maker Visit Plan
- Summary of Board and EOC Action Items
- CAFII Submission to FCNB On Informal Consultation on Contemplated Changes To Life Insurance and Accident & Sickness Insurance Parts of New Brunswick Insurance Act (2)
- Board-Approved Schedule of CAFII 2021 Board and EOC Meeting Dates

Recommendation / Direction Sought – Information Only

No action required.

Attachments Included with this Agenda Item

Seven attachments.

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)	<ul style="list-style-type: none"> Revised Financial Institutions Act (FIA) tabled in the legislature CAFII Meeting with Ministry of Finance staff executives <i>CAFII Follow-up Meeting (Virtual) with Ministry officials Re CPI Sales Practices and Related Fair Treatment of Consumers Considerations</i> CAFII submissions on draft Regulations in support of Revised FIA 	<ul style="list-style-type: none"> October 21/19 October 25/19 <u>Q1 2021</u> Q1 through Q4 2021 	<ul style="list-style-type: none"> Mkt Conduct & Licensing Committee; Co-EDs to monitor
AMF Sound Commercial Practices Guideline Update	<ul style="list-style-type: none"> AMF releases consultation document for 60 day period CAFII submission on updated Sound Commercial Practices Guideline 	<ul style="list-style-type: none"> November 2020 Q1 2021 	<ul style="list-style-type: none"> Mkt Conduct & Licensing Cttee; Co-EDs to monitor
Quebec Bill 141 and Related Regulations (including Regulation Respecting Alternative Distribution Methods, RADM)	<ul style="list-style-type: none"> CAFII sends AMF “creative solutions” submission on degree to which industry can meet AMF’s requirements around RADM’s applicability to credit card-embedded insurance benefits CAFII receives AMF acknowledgement response to July 7/20 submission, indicating “We acknowledge receipt of your correspondence and will get back to you with comments following the analysis of the issues raised AMF responds to CAFII’s “creative solutions” submission <u>AMF launches consultation of draft Regulation Respecting Complaint Processing and Dispute Resolution</u> CAFII submission on draft Regulation Respecting Complaint Processing 	<ul style="list-style-type: none"> July 7/20 July 9/20 <u>Q4 2020 (expected)</u> <u>November 2020</u> Q1 2021 	<ul style="list-style-type: none"> Mkt Conduct & Licensing Committee; Co-EDs to monitor
CCIR/CISRO Guidance: Conduct of Insurance Business and Fair Treatment of Customers	<ul style="list-style-type: none"> CAFII sends letter to CCIR/CISRO FTC Working Group asking it to obtain information on incentives and compensation models used by member distributors directly and privately, to avoid Competition Act violations <i>CCIR/CISRO FTC Working Group accepts proposal in CAFII’s July 2/20 letter</i> 	<ul style="list-style-type: none"> July 2/20 August 31/20 	<ul style="list-style-type: none"> Mkt Conduct & Licensing Cttee; Co-EDs to monitor
SK Bill 177	<ul style="list-style-type: none"> FCAA delays implementation of new Act and Regulations to Jan 1/20 FCAA releases transition-related Guidance and Interpretation Bulletin FCAA releases further transition-related Guidance/Interpretation Bulletin(s) 	<ul style="list-style-type: none"> November 26, 2018 May 17, 2019 <u>Q4 2020 or Q1 2021</u> 	<ul style="list-style-type: none"> Mkt Conduct & Licensing Cttee; Co-EDs to monitor
FCNB Insurance Act Rewrite and Introduction of RIA Regime	<ul style="list-style-type: none"> FCNB launches industry consultation on RIA licensing regime model CAFII submission on FCNB’s RIA Regime licensing regime model <i>FCNB launches informal stakeholder consultation on applicability of A&S insurance provisions of various provincial Insurance Acts to New Brunswick</i> <i>CAFII responds to FCNB consultation on A&S Insurance Act provisions</i> 	<ul style="list-style-type: none"> November 29, 2019 January 31, 2020 July 2020 October 22, 2020 	<ul style="list-style-type: none"> Mkt Conduct & Licensing Cttee; Co-EDs to monitor
Financial Services Regulatory Authority of Ontario (FSRA) Regulatory Consultations	<ul style="list-style-type: none"> <u>FSRA launches preliminary consultation on Transforming FSCO’s Unfair or Deceptive Acts or Practices (UDAP) Regulation Into A FSRA Rule</u> <u>CAFII responds to FSRA’s preliminary consultation on Transforming FSCO’s Unfair or Deceptive Acts or Practices (UDAP) Regulation Into A FSRA Rule</u> <u>FSRA launches consultation on FY 2021-22 Proposed Statement of Priorities and Budget</u> CAFII responds to FSRA consultation on FY 2021-22 Proposed Statement of Priorities and Budget 	<ul style="list-style-type: none"> <u>September 2020</u> <u>October 7, 2020</u> <u>October 7, 2020</u> November 3, 2020 	<ul style="list-style-type: none"> Mkt Conduct & Licensing Cttee; Co-EDs to monitor

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

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Regulatory Update – CAFII Executive Operations Committee, October 26, 2020

Prepared By Brendan Wycks, CAFII Co-Executive Director

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Federal/National

Financial Consumer Agency of Canada (FCAC)

FCAC Appoints New Deputy Commissioner Of Research, Policy And Education

By Financial Consumer Agency of Canada, September 4, 2020

On September 4/20, FCAC Commissioner Judith Robertson announced the appointment of Dr. Supriya Syal as Deputy Commissioner of Research, Policy and Education, effective September 28/20.

The FCAC's media release on this hiring indicates that Dr. Syal's appointment supports FCAC's vision to be a leader and innovator in financial consumer protection. Her background in social and behavioural science research will enhance FCAC's leading-edge research function, and she will play a pivotal role in advancing the Agency's consumer education mandate, including the renewal and implementation of the National Financial Literacy Strategy. Dr. Syal will also strengthen the Agency's capacity to contribute innovative policy solutions to help Canadians improve their financial wellness.

Dr. Syal is an expert in research and evidence-based policy innovation. She is the former Chief Science Advisor to the Treasury Board Secretariat Talent Cloud, and the former Chief Behavioural Scientist of the Privy Council Office Innovation Hub. Prior to joining the public sector, Dr. Syal was VP, Research and Innovation at BEworks Inc. She is the founder and former President of Dulcimer Labs, a purpose-driven company that creates social impact through evidence-based decision making. Dr. Syal holds a PhD in psychology from Cornell University, as well as a master's degree in neuroscience and a bachelor's degree in biochemistry.

FCAC To Develop Four Guidelines Related to Financial Consumer Protection Framework (FCPF)

In a follow-up email to CAFII Co-Executive Directors Brendan Wycks and Keith Martin sent shortly after the Financial Consumer Agency of Canada (FCAC)'s CAFII 2020 Annual Members Luncheon Webinar presentation for CAFII Member and Associate representatives on October 21/20, Brad Schnarr, the FCAC's Manager, Regulatory Guidance and Co-ordination, Supervision and Enforcement Branch, shared the following information about the Agency's plans for developing four Financial Consumer Protection Framework (FCPF)-related guidelines:

FCAC has committed to developing four guidelines in relation to FCPF provisions. The guidelines relate to the provisions in the FCPF where banks are required to develop policies/procedures:

- 1. General Adherence to the Consumer Provisions (195.1 (3)(a) of the Bank Act once in force)*
- 2. Appropriate Products (627.06 of the Bank Act once in force)*
- 3. Complaints Handling (627.43 (1)(a) of the Bank Act once in force)*
- 4. Whistleblowing (979.3 of the Bank Act once in force)*

For each of these four guidelines, FCAC intends initially to have a targeted consultation with the Industry Working Group put in place to assist in the implementation of the FCPF. The targeted consultation will either be on an early draft version of the guideline, or on a discussion paper on the topic of the provision.

The feedback and results of the targeted consultation with the Industry Working Group will help to inform the development a draft guideline, on which a public consultation (which includes all industry, stakeholders, the public) will then take place.

FCAC expects that a draft Complaints Handling Guideline and an Appropriate Products discussion paper will be the first two of the four Guideline topics to go out to the FCPF Industry Working Group for targeted consultation.

FCAC Shares Composition Of FCPF Industry Working Group

In a follow-up email to CAFII Co-Executive Directors Brendan Wycks and Keith Martin sent shortly after the Financial Consumer Agency of Canada (FCAC)'s CAFII 2020 Annual Members Luncheon Webinar presentation for CAFII Member and Associate representatives on October 21/20, Brad Schnarr, the FCAC's Manager, Regulatory Guidance and Co-ordination, Supervision and Enforcement Branch, shared the following information about the composition of the Agency's Industry Working Group Put In Place To Assist Implementation Of Financial Consumer Protection Framework (FCPF):

With respect to the FCPF Industry Working Group, I am happy to advise that in addition to FCAC chairing the Group, it consists of 12 members plus the Canadian Bankers Association (CBA) as an observer. The 12 members represent larger and smaller federally regulated financial institutions, different business models and business lines, and they are geographically diverse.

Canadian Association of Financial Institutions in Insurance (CAFII)

Highlights Of September 29 CAFII Webinar With Manitoba, Alberta Superintendent Officials

CAFII held its third of three Summer 2020 webinars with regulators on September 29/20 with Scott Moore, Manitoba's Superintendent of Insurance, and David Sorensen, Alberta's Deputy Superintendent of Insurance, as the panelists.¹

There was excellent attendance at the webinar from insurance regulators and policy-makers from across Canada, including the Financial Services Regulatory Authority of Ontario, or FSRA; the Financial and Consumer Services Commission of New Brunswick, or FCNB; the Alberta Insurance Council; Alberta Treasury Board and Finance, or ATBF; British Columbia Financial Services Authority, or BCFSa; the Office of the Superintendent of Insurance, Government of Nova Scotia; the Insurance Council of BC; Office of the Superintendent of Insurance, Manitoba; the British Columbia Ministry of Finance; and the Insurance Councils of Saskatchewan.

Scott Moore said that the biggest COVID-19 surprise to him was this:

¹ Jan Seibel, the Director of the Insurance and Real Estate Division at the Financial and Consumer Affairs Authority of Saskatchewan, or the FCAA, had accepted to join the panel but had to bow out at the last minute because the evening before the webinar, the Government of Saskatchewan indicated that it intended to drop the anticipated provincial election writ the next day, and during elections government employees of Saskatchewan, as is the case in most Canadian provinces, are precluded from making any public pronouncements.

generally how quickly, given the circumstances, we were able to adapt. ... We are part of an integrated regulator. We are a smaller branch within the Manitoba Financial Services Agency ... our smaller branch, we were able to be up and running very, very quickly.

David Sorensen echoed that view, noting that *in terms of a surprise for us here in Alberta, we were prepared for a bit of an onslaught, and a little bit concerned going into working from home and the challenges that that brings, we were prepared to hear from more and more Albertans about things that were going wrong for them in terms of the insurance and their needs around COVID, and we were pleasantly surprised that that didn't materialize, so that's kudos to the insurance industry, travel insurance industry in particular, health insurance industry also, in terms of marshaling resources and developing the messaging, reassigning staff at the same while working from their own homes and such, so I want to say a thank you to those insurers and their staff for making our job a little bit easier....*

Mr. Sorensen added, however, that there had recently been an uptick in complaints around travel insurance, so he was keeping a close eye on that. He noted that the quick transition to a home-office environment was initially a challenge. Mr. Moore said that it was less challenging for him and his staff to adapt, because of his team's small size.

Mr. Sorensen noted that regulators across the country were in touch weekly or more often through the CCIR, and they were able to learn from each others' experiences through that forum. He added that an advantage in the circumstances that he felt was unique to Alberta was that in 2019 the province removed most of the remaining barriers to conducting insurance transactions electronically, which became very helpful after the pandemic was declared.

Scott Moore said that there were not elevated levels of complaints or concerns around fair treatment of customers during the pandemic, something he felt very pleased about.

Mr. Sorensen added that *for the most part, insurers have been very responsive. And my thanks again to the industry. I wanted to touch on a few things that we noticed—and these by no means are things we would call “oh my God the sky is falling” things—but I thought I would share them in terms of some things that we're noticing cropping up a little more.... a couple of insurers, significant insurers, had a noticeable, significant drop in sales and service levels....*

Mr. Sorensen added that it was extremely important for regulators and the industry to have good working relationships. In most cases, the industry, not regulators, found solutions to some of the unique problems that COVID created in insurance. Scott Moore agreed with those comments and added that *the industry certainly has to work with regulators, to ensure that the regulations are keeping up —are helping and not hindering – (this is) what I would describe as an unprecedented opportunity to drive change in the industry.*

Mr. Moore added that he felt that going forward the pandemic might introduce a greater role for usage-based insurance (UBI). He added that he wanted to also commend the industry for the many things they did in response to the pandemic, including around flexible payment options, deferrals, and claim handling.

Mr. Moore said that the industry was also very active in helping Canadians abroad return back home. He added that he did not have any criticisms to share of the industry's response to the pandemic.

On the issue of what the industry could do better, Mr. Sorensen felt that more effective communication with struggling consumers around insurance capacity and price was critical.

Both Mr. Moore and Mr. Sorensen agreed that the industry was put in a difficult position due to airlines not refunding consumers for cancelled trips, and instead offering vouchers. They both empathized with the challenge for the insurance industry when a consumer made a trip cancellation travel insurance claim for a cancelled flight for which they had also received a voucher from an airline or other travel services provider.

Provincial/Territorial

British Columbia Insurance Council of BC

Insurance Council Strategy Session Focuses On Online Distribution of Insurance

The Insurance Council of BC is reporting that it held a virtual strategy session on the regulatory implications of the online distribution of insurance on September 23/20, immediately following its virtual 2020 Annual General Meeting of voting and non-voting members held that same day.

During the AGM, Lesley Maddison, the Council's 2019-20 Chair, delivered an annual report on the Council's activities and progress against its strategic plan. This was followed by a report on operations and a financial overview by CEO Janet Sinclair.

Insurance Council Re-organizes Staff Structure To Enhance Proactive Regulation

In its 2019-20 Annual Report, the Insurance Council of BC indicates that during the past year, it has continued its organizational transition to more proactive regulation in keeping with "Strategic Initiative 4: Long-term Talent Management Strategy: Hire and maintain a strong staff" in its strategic plan.

The Council has done that by re-aligning its organizational structure. The former Regulatory Services, Investigations, and Legal departments (three units) were restructured into a Practice and Quality Assurance Department and a Professional Conduct Department (two units), and the expertise on staff in policy development, education, and investigation of financial crime has been broadened.

In recognition of significant increases being experienced in licensing-related requests, an additional position was created in that area to provide increased support to corporations and meet volume demands. The Council also continued to build its organizational capacity in areas such as anti-money laundering, strata insurance, fintech/insurtech, and regulatory practices through training and other educational opportunities, focusing on the skills and practices needed to advance the Council's strategic initiatives.

Insurance Council Provides Update On Council-Relevant Changes To The BC Financial Institutions Act

In a September/October 2020 update posted on its website, the Insurance Council provides the following news about implementation of several Council-relevant aspects of the new BC Financial Institutions Act:

The Financial Institutions Act is the provincial legislation that governs the regulatory framework for credit unions, insurance companies and intermediaries, and trust companies in BC. Amendments to the Act were enacted in November 2019 and are being introduced in stages through regulations.

Earlier in the year, we reported on a number of changes to the Act relating to the Insurance Council and its licensees that were brought into force in January.

An additional set of regulations was brought into effect as of June 22, 2020.

What's Changing?

This latest set of changes addresses:

Licensee Remuneration – The Act now authorizes the Insurance Council to make rules regarding the remuneration of licensees.

Delegation to Committees - The Insurance Council will have the ability to delegate to a hearing committee the authority to make enforcement decisions.

Standardized Council Compensation – Insurance Council members may be remunerated in accordance with the general directives of the Treasury Board, instead of an amount established by the Lieutenant Governor in Council.

What's Next

Additional regulations to implement the Financial Institutions Act changes are anticipated over the coming months and we will continue to provide updates as more information becomes available.

New Insurance Council Program Aims To Identify Licensee Practice Issues Before They Occur

The Insurance Council announced in July 2020 that as a part of its new strategic plan, it will be developing regulatory programs that will proactively enhance public protection and licensee support.

Therefore, in September 2020, Council introduced a new Practice Audit Program.

This program will work directly with licensees to identify and address potential issues before complaints are received, providing feedback and practice guidance to licensees so that they can ensure they are meeting their requirements under the Insurance Council's Rules and Code of Conduct.

As a part of its regulatory mandate, the Council carries out inspections and investigations when there are concerns that a licensee may have failed to meet his or her professional requirements. However, at this point, a breach or client harm may have already occurred, leading to discipline. While these programs serve an important function, these are reactive measures. By working together with licensees to prevent non-compliances before they occur, through support and education, the Insurance Council is aiming to enhance overall public protection and increase licensee awareness of their professional requirements.

Under the new program, practice audits will be initiated by the Insurance Council through audit requests communicated in advance to licensees. Licensees subject to a practice audit will be selected based on areas of risk identified annually, as well as on a random basis, or on a licensee's own request.

The audit process will involve an audit questionnaire form being sent to the licensee. They will have 21 days to complete and return the questionnaire for review by the Insurance Council's Practice and Quality Assurance Team. Areas that the audit will look at include errors and omissions insurance, authority to represent, proper recording of insurance transactions and related financial affairs, client confidentiality practices, and compliance with practice advisories.

After the questionnaire is reviewed, if no issues are found, a confirmation letter will be sent and the practice audit is closed. If an issue is identified, the licensee will be contacted by phone to discuss further and may receive a practice reminder letter at which time the audit will be closed. In cases where a serious conduct or competence issue is identified, the matter will be reviewed further.

By working together with licensees to prevent non-compliance through support and education, the Insurance Council is aiming to avoid potential harm to the public and regulatory breaches that end up resulting in discipline for the licensee. This approach is intended to improve public protection while helping licensees be successful in meeting their regulatory requirements.

Ontario

Financial Services Regulatory Authority of Ontario (FSRA)

FSRA To Assess Life and Health Insurers For Fair Treatment Of Consumers

On September 15/20, FSRA announced that it will be reviewing the life and health insurance sector to find out if consumers are being treated fairly. FSRA will focus this review on insurers' adoption of principles to treat clients fairly, and on how managing general agencies (MGAs) contracted by insurers uphold fair treatment standards.

"To ensure consumers' needs and interests are put first and to set clear conduct expectations of the industry, FSRA will review insurer policies, processes and practices in these two important areas," the release said.

An accompanying report said all FSRA-licensed life insurance companies may be subject to a supervisory or thematic review.

While FSRA doesn't regulate MGAs, the regulator said it will review the relationship between insurers and MGAs to understand how they, along with agents, interact with clients during sales.

"One of our goals will be to determine whether the public interest is being well served," the report said.

Québec

Autorité des marchés financiers (AMF)

AMF Strengthens Bill 141-Rooted Compliance Guidance

In an effort to enhance industry compliance, the Autorité des marchés financiers (AMF) has published a new edition of its *Governance and Compliance Guide for registrants under the Act respecting the distribution of financial products and services*.

The new document is an updated version of its guidance for firms and representatives who are subject to Quebec's Bill 141 distribution legislation, which includes financial planners and insurance industry representatives.

Frédéric Pérodeau, the AMF's superintendent, client services and distribution oversight, said the guide aims to help reduce compliance burdens "by providing guidance on applicable regulatory requirements, predictability, and clarification concerning our expectations."

The guidance aims to explain the regulatory framework in plain language, clarify the AMF's expectations, and set out good governance and compliance practices.

The updated guidance incorporates financial sector reforms that were adopted under Bill 141, including new rules for offering products and services online.

New Brunswick

Financial and Consumer Services Commission of New Brunswick (FCNB)

Advocis Calls For Individual Licensing And Advice To Consumers Under New Brunswick RIA Regime

In its January 31/20 submission to FCNB in response to its *Incidental Selling of Insurance (ISI) Consultation Paper*, Advocis (the Financial Advisors Association of Canada) recommends that under the new Restricted Insurance Agent (RIA) licensing regime which New Brunswick plans to introduce, individual sales representatives should be required to hold a restricted or limited licence and pass certain limited educational courses specific to the relevant type of insurance in order to demonstrate proficiency.

Advocis also asserts that consumers should receive a "thorough personal and financial situation analysis" and "unbiased advice" from ISI sales representatives.

The Executive Summary of the Advocis' submission to the FCNB reads as follows:

Advocis appreciates the opportunity to provide comments to the FCNB's consultation on incidental selling of insurance (ISI). We believe that it is essential that consumers are adequately protected and that a level playing field exists for all who distribute life and health insurance products irrespective of where consumers purchase them.

The current provincial regulatory regimes across Canada result in a significantly uneven playing field between, on the one hand, insurance agents and agencies distributing individual life, health, accident and sickness or income replacement insurance products, and on the other hand, distributors of other forms of insurance, particularly creditor group insurance protection.

Advocis recommends the following:

- In order to engage in the sale of ISI products, individual sales representatives should be required to hold a restricted or limited licence and pass certain limited educational courses specific to the relevant type of insurance to demonstrate proficiency.*
- Individual licensees should participate in continuing education.*
- Individual licensees should carry errors and omissions insurance as a means of further protecting consumers. Individual licensees should be subject to consumer disclosure requirements, including insurance regulatory principles for managing conflicts of interest.*
- Individual licensees should be subject to certain product suitability requirements.*
- Individual sales representatives holding a restricted licence should be supervised by a fully (LLQP) licensed individual.*

In addition:

- Consumers have little in the way of meaningful disclosure regarding ISI products.*
- Proper disclosure and plain language are critical to assisting consumers in making an informed decision regarding their insurance coverage if they have a pre-existing condition.*
- Conflicts of interest are appropriately managed by adhering to the principles of priority of the client's interest, meaningful disclosure, and product suitability.*
- Sellers of ISI products should be trained to a level that they could adequately explain the application process, the claims process and various other important aspects of the policy.*
- Consumers have a right to expect that they will be receiving accurate information and unbiased advice that is in the consumer's best interest, and that validating the product recommendation is suitable must rest with the seller, implying a thorough personal and financial situation analysis that is not currently the norm in the ISI sales process.*

The full Advocis submission can be found here: https://www.advocis.ca/regulatory-affairs/RA-submissions/2020/200131_FCIB_Incidental_Selling_of_Insurance_Restricted_Insurance_Licensing.pdf?hstc=101018078.48d3383d3ab8e5d4d8ae3b084d586dbb.1603802727411.1603802727411.1603802727411.1&hssc=101018078.3.1603802727412&hsfp=1259133173

Newfoundland and Labrador

Newfoundland and Labrador Superintendent of Insurance

Newfoundland and Labrador Resumes LLQP Exam Sittings Via College of the North Atlantic

In a Bulletin posted to its website in October 2020, the Office of Newfoundland and Labrador's Superintendent of Insurance issued the following update on its administration of Life License Qualification Program (LLQP) examinations:

The Office of the Superintendent of Insurance is pleased to announce that the Life License Qualification Program (LLQP) in classroom examinations will resume immediately with the assistance of the College of the North Atlantic.

To be eligible to write the LLQP Modular Exams, registrants will have to contact one of the designated College of the North Atlantic Campuses to register. For further information regarding the LLQP Modular Exams and the designated Campuses, please go to <https://www.gov.nl.ca/dgsnl/files/insurance-pdf-memo-llqp-2020.pdf>.

The full announcement can be found here: <https://www.gov.nl.ca/dgsnl/files/Issue-No.-31-October-2020-LLQP-Update.pdf>

International Developments

UK Financial Conduct Authority Seeks Sandbox Solutions To COVID-19 Threats

In early October, the UK's Financial Conduct Authority (FCA) announced that it was looking to fintechs to help solve COVID-19 challenges that financial markets are facing.

The FCA opened two new regulatory sandbox initiatives for innovative firms seeking to tackle issues caused by the pandemic, such as preventing scams, supporting vulnerable consumers, and improving access to capital for small companies.

These initiatives include the seventh cohort of its existing regulatory sandbox project, and a new pilot program with the City of London to support product development.

UK Financial Conduct Authority Forces Auto Insurance Overhaul

On September 22/20, the UK's Financial Conduct Authority (FCA) announced that it plans to overhaul the way insurers price home and car coverage in a bid to save consumers 3.7 billion pounds (\$4.7 billion) over 10 years.

The FCA said it's concerned these markets are "not working well for consumers." The proposed rule changes would ensure that when people renew their policies, they pay no more than new customers buying coverage for the first time. It would also be easier for clients to stop automatic renewal of their policies.

Commonwealth Bank Of Australia Facing Class Action Over Insurance Advice

On August 21/20, Commonwealth Bank of Australia (CBA) disclosed that a class action lawsuit has been filed against it over advice given on life insurance policies issued and recommended by three former subsidiaries.

The lawsuit was filed by Shine Lawyers against financial advisors Commonwealth Financial Planning Ltd (CFPL) and Financial Wisdom Ltd, and The Colonial Mutual Life Assurance Society, a life insurer sold by CBA to AIA Group this year.

The lawsuit relates to advice given by CFPL and Financial Wisdom on policies issued by Colonial Mutual.

In January 2020, the same law firm brought another class action lawsuit against CBA's pension arm for not acting in customers' interest by encouraging them to pick policies provided by CommInsure.

CBA stopped providing licensee services through Financial Wisdom and CFPL this year as part of the bank's move away from wealth management.

Australia's biggest bank did not say when the alleged wrongdoing took place and a Shine spokeswoman declined to comment other than to confirm that a lawsuit had been filed.

Agenda Item 2(c)
October 29/20 EOC Teleconference Meeting

CAFII Insurance Regulator and Policy-Maker Meetings/Interactions
From September 16/20 To October 26/20

<u>Date</u>	<u>Event/Occasion</u>	<u>Who</u>
September 29, 2020	CAFII stages very well-received third of three Summer 2020 webinars on <i>COVID-19's Impact on Insurance Policy and Regulation: Now and Post-Pandemic (including a brief dry run/practice session with intended panelists Scott Moore and Jan Seibel on September 21/20; and with intended panelist Sherri Wilson on September 24/20).</i>	<u>August 25/20 Webinar</u> -Scott Moore, Superintendent of Insurance, Manitoba -David Sorensen, Deputy Superintendent of Insurance, Alberta Treasury Board and Finance; Also met virtually with Jan Seibel, Director of Insurance and Real Estate, Saskatchewan Financial Consumer Affairs Authority (FCAA) for dry run/practice session, who was forced to bow out due to dropping of provincial election writ; and with Sherri Wilson, Alberta Superintendent of Insurance who was forced to hand off to David Sorensen due to a scheduling conflict <i>Approximately 20 insurance regulators and policy-makers from across Canada joined this webinar as audience members.</i>
October 6, 2020	Brendan Wycks and Keith Martin have get acquainted teleconference meeting with two officials from Global Affairs Canada re: interplay between COVID-19-driven government travel advisories and quarantine requirements and the travel insurance industry.	-Andrea Lemelin, Deputy Director, Consular Communications, Advocacy, Planning -Elizabeth Hrubesz, Consular Diplomacy and Advocacy Strategist

October 15, 2020	<p>CAFII “Industry Issues Dialogue” with AMF staff executives (virtual meeting using a “shared agenda” approach)</p> <p>CAFII made presentations to the AMF on “Sobering Statistics Underlying the Market Context for Credit Protection Insurance in Canada”; and on consumer information enhancements to the CAFII website, including the development of a new page linking to the claims page of each CAFII member.</p>	<p>-Frédéric Pérodeau, Superintendent, Client Services and Distribution Oversight</p> <p>-Patrick Déry, Superintendent, Solvency</p> <p>-Philippe Lebel, Philippe Lebel, Corporate Secretary and Executive Director, Legal Affairs</p> <p>-Louise Gauthier, Senior Director, Distribution Policy Management</p> <p>-Nathalie Sirois, Senior Director, Supervision of Insurers and Control of Right to Practise</p> <p>-Julien Reid, Senior Director, Financial Institutions Oversight, Resolution and Deposit Insurance</p>
October 21/20	<p>CAFII 2020 Annual Members’ Luncheon Webinar, with Teresa Frick, Director of Supervision, Financial Consumer Agency of Canada (FCAC) presenting on “<i>Setting the Bar Higher: How the Financial Consumer Protection Framework Sets a New Standard for Fairness and Transparency</i>”</p>	<p>- Teresa Frick, Director of Supervision</p> <p>-Brad Schnarr, Manager, Supervision and Enforcement, FCAC</p> <p>-Stephen Wild, Senior Research & Policy Officer, FCAC</p> <p><i>Due to a scheduling conflict, Frank LoFranco, the FCAC’s Deputy Commissioner, Supervision and Enforcement was forced to cancel as presenter at the 11th hour but he was replaced by Teresa Frick</i></p>
October 26/20	<p>CAFII Webinar With AMF Staff Executives Providing Background/Introductory Presentation On Two Imminent Industry Consultations</p>	<p>-Julien Reid, Senior Director, Financial Institutions Oversight, Resolution and Deposit Insurance</p> <p>-François Vaillancourt, Senior Analyst, Insurance Regulation</p> <p>-Mélisha Perreault, Director of Distribution Practices and Self-Regulatory Organisations</p>

Summary of CAFII Board and EOC Action Items					
	Source	Action Item	Responsible	Deadline	Status Oct 27 2020
		Association Strategy and Governance			
1	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/ See #2
2	BOD: June 9, 2020	Revisit the launch of the CAFII Working Group On A Proposed Lower Dues Category Of CAFII Membership once the economic environment stabilizes	K. Martin	12-Jul-05	In progress
3	EOC May 29, 2018	Develop a summary job description for the CAFII EOC Chair role and circulate it to EOC Members.	B. Wycks/K. Martin	30-Jun-20	In progress
4	EOC February 27, 2018	Document in writing the process for reviewing, approving, and admitting applicants for CAFII Members and Associate status	B. Wycks	25-Oct-19	In progress
	Bod: Oct 15, 2020	Schedule and organize a Dedicated, Special Purpose CAFII Board Virtual Meeting in early 2021 to review and possibly update CAFII's 3 to 5 Year Strategic Plan	B. Wycks/K. Martin	31-Dec-20	In progress
		Regulatory Initiatives			
5	EOC: Aug 25, 2020	Share critical path on New Brunswick consultation with EOC members	B. Wycks	22-Sep-20	Completed
	EOC: Sept 22, 2020	Reach out to the CBA to find out what work it has done on the FCAC appropriateness test	B. Wycks	8-Oct-20	Completed
	EOC: Sept 22, 2020	Resuscitate the Working Group on CPI Best Practices and add the FCAC appropriateness test to its mandate	K. Martin	31-Oct-20	In Progress
	EOC: Sept 22, 2020	Organize Market Conduct & Licensing Committee meetings and develop CAFII submission to the FCNB	B. Wycks	23-Oct-20	Completed
	Bod: Oct 15, 2020	Get EOC engaged in the issue of an FCAC Appropriateness Guideline	B. Wycks/K. Martin	1-Dec-20	In progress
	Bod: Oct 15, 2020	Connect with CLHIA/ACCAP and investigate the feasibility and timeliness of making a CAFII submission to the Quebec government on Bill 64	K. Martin	1-Dec-20	Completed
		Website and Media Initiatives			
9	BOD: June 9, 2020	Create a new tab on the CAFII website and provide How To Make A Claim information there	K. Martin	31-Jul-20	Completed
10	EOC: June 23, 2020	Share with EOC members the details of the new How to Make A Claim section of the CAFII website section	K. Martin	21-Jul-20	Completed
11	EOC: Aug 25, 2020	Share draft visuals for CAFII website video with EOC	K. Martin	30-Sep-20	In progress
12	EOC: Aug 25, 2020	Share final prototype of new claims section of CAFII website with Board and EOC, for approval	K. Martin	30-Sep-20	Completed
	EOC: Sept 22, 2020	Share motion graphic prototype with EOC members	K. Martin	15-Oct-20	Completed
		Research and Education			
	EOC: Sept 22, 2020	Share EOC recommendation to proceed with Pollara research with the Board	K. Martin	15-Oct-20	Completed

	Source	Action Item	Responsible	Deadline	Status Oct 27 2020
	Bod: Oct 15, 2020	Sign a contract with Pollara Strategic Insights based on its research proposal dated September 14, 2020	K. Martin	1-Dec-20	In progress
	Bod: Oct 15, 2020	Create a CAFII Working Group on the questions to be asked in the Pollara consumer research; begin work with Pollara on the development and implementation of the project	K. Martin	1-Dec-20	In progress
		Events			
	EOC: Sept 22, 2020	Provide CAFII members with details around an AMF presentation on two regulatory consultation initiatives they are currently working on	K. Martin	31-Oct-20	Completed
	EOC: Sept 22, 2020	Provide registration and connection details for the 21 October, 2020 CAFII Annual Members' Luncheon Webinar to CAFII Member representatives	B. Wycks	11-Oct-20	Completed

October 22, 2020

Mr. David Weir
Senior Technical Advisor
Financial and Consumer Services Commission of New Brunswick
200 – 225 King St.
Fredericton, New Brunswick E3B 1E1

Dear Mr. Weir:

Re: CAFII Response Submission on FCNB Informal Consultation on Contemplated Changes to Life Insurance and Accident & Sickness Insurance Parts of the New Brunswick Insurance Act

CAFII commends FCNB for undertaking this informal consultation and we appreciate the opportunity to respond – via our submission which accompanies this transmittal letter -- to the questions and issues raised in the document you shared with our Association on July 21, 2020.

We also appreciate your co-operation in granting CAFII extensions to the loose deadlines previously agreed-upon for our submission. Having additional time allowed our Association to prepare what we believe is a strong, value-adding submission. In particular, with respect to the several questions/issues you posed which called for a legal comparative analysis (of other provinces' Insurance Acts or Regulations) and/or a legal history perspective, the additional time allowed us to consult with internal legal counsel at CAFII member companies; to tap into their knowledge and expertise; and to obtain informed perspectives which we have shared in our submission.

We have used your informal consultation document itself as the base document for our submission. In our accompanying submission, we have *italicized* your original text; underlined the content which we believe constitutes your essential questions and issues; and **boldfaced** our responses which we've inserted immediately following each question/issue.

As you know, CAFII's focus as an industry Association is on credit protection insurance – also known as creditor's group insurance – along with travel insurance, as those are the key areas of risk exposure for which our members offer simple, convenient insurance solutions to Canadians through a variety of distribution channels. Therefore, with respect to the questions and issues posed in your informal consultation document, we have generally restricted our feedback comments to matters germane to credit protection insurance and travel insurance. We have not responded to some questions and issues raised which are out-of-scope for our Association.

If you would find it helpful, CAFII would be pleased to meet with you to discuss the feedback provided in our accompanying submission, before your legislative amendment and update proposals advance to the drafting stage. We would be prepared to meet via a virtual meeting platform or by teleconference, as you prefer. Please contact Brendan Wycks, CAFII Co-Executive Director, at brendan.wycks@cafii.com or 647-218-8243 to arrange a meeting at a mutually convenient time.

We conclude this transmittal letter with a recommendation and request related to next steps. While CAFII is appreciative of the opportunity to participate in the current informal consultation and we recognize its importance as a building block component of a multi-stage process, we are also strongly of the view that, at a later stage, a full and formal consultation on new *Insurance Act* draft legislation is imperative.

A formal consultation on draft legislation is vital because it will afford industry stakeholders and consumers the opportunity to provide feedback on what is proposed to be enshrined as law; and it will also permit the FCNB, in turn, to conduct a detailed review of formal stakeholder responses.

A full and formal stakeholder consultation process on draft legislation will pay dividends by mitigating against unforeseen outcomes and unintended consequences which can sometimes result from modernizing such a broad, detailed, and complicated document as a provincial *Insurance Act*. It will also increase the likelihood that the new *Act* will produce world class consumer protection while, at the same time, fostering industry innovation, business success, and a positive contribution to the province's economy.

We look forward to continuing to work with you toward an optimally modernized New Brunswick *Insurance Act*.

Sincerely,



Martin Boyle
Board Secretary and Chair, Executive Operations Committee

About CAFII

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

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

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

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

FCNB Informal Consultation On Accident & Sickness Insurance-Related Changes To New Brunswick's Insurance Act

From: Weir, David (FCNB) <david.weir@fcnb.ca>

Sent: July-21-20 3:03 PM

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

Subject: Questions on Life and A&S parts

Hello Brendan and Keith,

I hope that you are well.

I have been doing a selected jurisdictional review of the life and accident and sickness provisions. I am reaching out to some key stakeholders to obtain feedback on some issues that I have identified.

If there are any other issues that you want to raise as well, please don't hesitate to mention them.

Thank you in advance for your assistance. If anything is not clear, please let me know.

Best regards,

David Weir

New Brunswick Insurance Act Modernization Project
Life and Accident and Sickness Insurance Review

As you are aware, the Financial and Consumer Services Commission is engaged in a complete review of the Insurance Act, with the goal of modernizing the Act which is over 50 years old. Our primary goal is to enhance consumer protection. However, we also intend to harmonize as much as possible with other jurisdictions and to update any archaic language in the Act to make it easier to read.

For updating the life part (Part X) and the accident and sickness part (Part XI), we are using the Manitoba Insurance Act as our primary source. However, we are also consulting the Alberta and Ontario Acts and the new Saskatchewan Act to ensure that our new Act is truly modern and captures the best consumer protections.

During our review, we have identified some issues that we are hoping to get your input on to assist us in making recommendations for amendments to government.

Sections 132 (Life) and 186 (A&S) - Definition of Declaration

The current definition of "declaration" reads:

"declaration" means an instrument signed by the insured

(a) with respect to which an endorsement is made on the policy, or

(b) that identifies the contract, or

(c) that describes the insurance or insurance fund or a part thereof,

in which he designates, or alters or revokes the designation of, his personal representative or a beneficiary as one to whom or for whose benefit insurance money is to be payable;

We are contemplating adopting the Alberta provision

“declaration”, except in sections 677 to 681, means an instrument signed by the insured

(i) with respect to which an endorsement is made on the policy,

(ii) that identifies the contract, or

(iii) that describes the insurance or insurance fund or a part of the insurance or insurance fund,

in which the insured

(iv) designates, or alters or revokes the designation of, the insured, the insured’s personal representative or a beneficiary as one to whom or for whose benefit insurance money is to be payable, or

(v) makes, alters or revokes an appointment under section 663(1) or a nomination referred to in section 669;

FCNB Question: Based on the wording of our current Act, we believe that the exceptions should be ss. 168 to 172 for the life part. Are there other provisions that should be included? There will be similar changes in the accident and sickness part.

CAFIL Response/Comment: we recommend that FCNB use the Alberta Insurance Act’s provisions around the definition of “declaration” in the both the Life Insurance and Accident & Sickness parts of the new Insurance Act, and that you harmonize with Alberta to the maximum degree possible.

We note that New Brunswick’s current Act doesn’t permit an insured to name a successor owner in a declaration. On this point, we strongly encourage New Brunswick to harmonize with Alberta, BC, Ontario, and Manitoba which all have updated their insurance laws to permit an insured to name a successor owner in a declaration, which is in keeping with insurers’ current practice.

We concur that based on the wording of the current New Brunswick Insurance Act, the key exceptions to the applicability of the definition of “declaration” should be subsections 168 to 172 for the Life Insurance part, as those “Proceedings under contract” subsections align well with Alberta’s excepted clauses 677 to 681.

However, we also recommend that FCNB give careful consideration to subsections 174 and 177 of the current New Brunswick Act with respect to this question, as those two additional “Proceedings under contract” subsections may also warrant being excepted from the overarching definition of “declaration” in the Life section.

Application of certain provisions:

Section 148.1 of Manitoba’s Act reads

148.1 *Despite section 115, section 119 and subsections 123(1) and (2) apply to contracts of life insurance.*

Section 115 exempts A&S and Life from application of general contract provisions. However, this provision makes s. 119 (imperfect compliance) and s. 123 (waiver and estoppel) apply to life contracts. Saskatchewan and Ontario reference the same two matters (ss. 8-14 and 8-19 for Sask and 126 and 131 for Ontario (may not be proclaimed)).

Alberta's ~~635~~ 638 on the other hand references the following provisions:

515 (imperfect compliance),
521 (waiver and estoppel),
527 (limitations of actions),
533 (effect of criminal act), (this does not seem necessary as the provision specifically mentions "contract of insurance" includes insurance as part of life insurance for disability)
537 (filing policy with the Superintendent) and
547 (electronic communication)

FCNB Question/Comment: Currently NB does not have an equivalent provision. We are proposing to add one. We intend to reference:

101 (imperfect compliance)
109 (waiver and estoppel – which will be amended)
117 (filing policy with the Superintendent)

CAFII Response/Comment: CAFII concurs that New Brunswick should build into its modernized Insurance Act a provision that strives for equivalency and harmonization with section 638 of Alberta's Insurance Act, by covering off all, or as many as possible, of the "Application of certain provisions" specifications related to Life Insurance found in that Alberta section. Our Association specifically requests an opportunity to review and provide feedback on the final draft of this particular provision, as it contains a number of complexities for the industry.

FCNB Question/Comment: Alberta's s. 537 is different than NB's s. 117. In particular, s. 537 includes "any endorsement or rider or advertising material issued or used by the insurer". Further, NB's s. 117 allows policies or applications that are "unfair, fraudulent or not in the public interest" to be prohibited.

CAFII Response/Comment: CAFII concurs that New Brunswick should build into its modernized Insurance Act a provision that strives for equivalency and harmonization with section 537 of Alberta's Insurance Act with respect to "filing policy with the Superintendent" while also retaining the current New Brunswick Insurance Act provisions with respect to prohibiting policies or applications that are "unfair, fraudulent or not in the public interest" and making their use an offence under the Act.

FCNB Question/Comment: Section 533 in Alberta is similar to s. 2 of NB, but that provision already explains that it applies to life contracts for the limited purpose of disability.

CAFII Response/Comment: CAFII concurs that section 2 of the current New Brunswick Insurance Act, despite being more than 50 years old, is more concise and clear than the very similar section 533 of the Alberta Insurance Act; and therefore its language should be retained in New Brunswick's new Insurance Act.

FCNB Question/Comment: Alberta's s. 547 deals with allowing electronic communications. We intend to introduce a similar provision, but it should be outside of general insurance part so that it applies to life (and A&S) policies.

CAFII Response/Comment: CAFII strongly concurs with New Brunswick's intention to introduce in its modernized Insurance Act a provision that is equivalent to and harmonized with section 547 of the Alberta Insurance Act, with respect to permitting electronic communications. This overdue provision will create a huge benefit for New Brunswick consumers and insurers engaging in the business of insurance in the province. We also support the intention to place this new provision outside of the General Insurance part so that it applies of Life and Accident & Sickness policies.

Likewise, for the A&S part, Manitoba's s. 203.1 reads:

203.1 Despite section 115, the following provisions apply to contracts of accident and sickness insurance:
(a) section 119; (imperfect compliance)

(b) subsections 123(1) and (2); (waiver and estoppel)

(c) section 132. (method of notice to insurer or insured).

Alberta's s. 696 the lists the following sections

*515 (imperfect compliance),
521 (waiver and estoppel),
527 (limitations Act),
530 (method of notice to insurer or insured),
533 (effect of criminal act),
537 (filing policy with the superintendent) and
547 (electronic communication)*

FCNB Question/Comment: We intend to include a similar provision and propose to include:

101 (imperfect compliance)

109 (waiver and estoppel – which will be amended)

117 (filing policy with the Superintendent)

??? (method of notice to insurer or insured – new provision)

We think that we will capture all of the Alberta provisions, but would welcome any insights that you have.

CAFII Response/Comment: CAFII concurs that New Brunswick should build into its modernized Insurance Act a provision that strives for equivalency and harmonization with section 696 of Alberta's Insurance Act, by covering off all, or as many as possible, of the "Application of certain provisions" specifications related to Accident & Sickness Insurance found in that Alberta provision.

July 1, 1962 and transition dates

FCNB Question/Comment: Section 133 in NB Act references July 1, 1962. We will be updating these provisions to match new wording in other jurisdictions. I understand that July 1, 1962 was the date that there was a major reform of the "uniform Life Act". I assume that those amendments were made in NB at the time. Based on your experience in other jurisdictions that have updated their life and A&S parts, are there any other transition dates that we need to be considering?

CAFII Response/Comment: since Alberta and Ontario retained their references to 1962 (see Alberta section 640 and Ontario section 172), CAFII recommends that New Brunswick retain its current section 133 because it is still relevant.

With respect to transition provisions for amendments being introduced in New Brunswick's new Insurance Act, it is our view that these provisions should be operationalized through a Regulation (see BC Insurance Regulation 108/2015, sections 13-15). That approach is consistent with other provincial Insurance Acts.

Other than the updates that you are currently contemplating, CAFII is not aware of any other transition dates that need to be considered.

CAFII also offers the following general observations with respect to transition provisions:

- any new requirements with respect to the contents of a policy, group policy, certificate, etc., should only be effective for policies, group policies, certificates issued on or after the date the amended legislation comes into force (since insurers can't retroactively re-issue contracts); and
- any new requirements regarding the administration or payment of claims should only be effective for claims incurred on or after the date the amended legislation comes into force.

Rights of group insured or claimant to group policy

FCNB Question/Comment: We will be recommending adopting provisions similar to ss. 151(5) and 151(6) of the Manitoba Insurance Act.

151(5) In the case of a contract of group insurance, the insurer

(a) must, upon request, provide a group life insured or claimant under the contract with a copy of

(i) the group life insured's application, and

(ii) any written statement or other record provided to the insurer as evidence of the insurability of the group life insured under the contract that is not part of the application; and

(b) must, upon request and reasonable notice,

(i) permit a group life insured or claimant under the contract to examine a copy of the group insurance policy, and

(ii) provide that person with a copy of the policy.

151(6) In the case of a contract of creditor's group insurance, the insurer

(a) must, upon request, provide a debtor insured or claimant under the contract with a copy of

(i) the debtor insured's application, and

(ii) any written statement or other record provided to the insurer as evidence of the insurability of the debtor insured under the contract that is not part of the application; and

(b) must, upon request and reasonable notice,

(i) permit a debtor insured or claimant under the contract to examine a copy of the creditor's group insurance policy, and

(ii) provide that person with a copy of the policy.

Subsection 151(9) of the Manitoba Act goes on to read:

151(9) A claimant's access to documents under subsections (4) to (6) extends only to information that is relevant to:

(a) a claim under the contract; or

(b) a denial of such a claim.

Manitoba is consistent with Alberta and Ontario. Saskatchewan's new Act has a similar provision, but includes a paragraph (c). Saskatchewan's ss. 8-103(8) reads:

8-103 (8) A claimant's access to documents pursuant to subsections (4) to (6) extends only to information that is relevant to:

(a) a claim under the contract;

(b) a denial of a claim under the contract; and

(c) obtaining the terms or extent of coverage under the contract.

We are proposing to include Saskatchewan's paragraph (c) to enhance consumer rights and to assist a person in understanding his or her coverage even when there is not a claim. This could be helpful if a person is considering other insurance. We propose to do the same under the Accident and Sickness part (Saskatchewan's s. 8-159(8)). We welcome your thoughts.

CAFII Response/Comment: with respect to "Rights of group insured or claimant to group policy," CAFII recommends that New Brunswick incorporate the entirety of Manitoba's section 151, not just subsections 5 and 6, along with the additional related provisions set out in section 7 of Manitoba's Insurance (General Matters) Regulation 220/2014.

That Manitoba Regulation provides clarification as to when confidential commercial information as well as plan design and benefits information relating to other classes can be released. We are aware that Saskatchewan added similar provisions through 8-22(1) and 8-22(2) of its The Insurance Regulations 2/2019.

The entirety of the language found in the Manitoba provisions which we are recommending is needed to harmonize New Brunswick's new Insurance Act with the modern language adopted by Manitoba, Saskatchewan, Alberta, and BC. We are aware that CLHIA is currently working with Ontario to obtain similar clarity via a new Regulation.

We concur that including paragraph 8-103(8)(c) from Saskatchewan's new Act will enhance consumer rights and protection.

CAFII recommends that the totality of the important provisions noted above be built into the New Brunswick Insurance Act, rather in a Regulation. That approach would permit all of the related provisions to be found in one place, and thereby reduce the chance that consumers or industry representatives would overlook or have difficulty finding an important provision or clarification.

We strongly concur that parallel provisions should be included in the A&S part of New Brunswick's new Insurance Act.

Information set out in Policy and Certificate

FCNB Question/Comment: We will be recommending adopting a provision similar to s. 154(2) of the Manitoba Insurance Act.

154(2) In the case of a contract of group insurance or creditor's group insurance, the insurer must issue, for delivery by the insured to each group life insured or debtor insured, a certificate or other document in which are set out the following:

- (a) the name of the insurer and a sufficient identification of the contract;*
- (b) the amount, or the method of determining the amount, of insurance on
 - (i) the group life insured and any person whose life is insured under the contract as a person dependent on or related to the group life insured, or*
 - (ii) the debtor insured;**
- (c) the circumstances in which the insurance terminates and the rights, if any, on termination of the insurance of
 - (i) the group life insured and any person whose life is insured under the contract as a person dependent on or related to the group life insured, or*
 - (ii) the debtor insured;**
- (d) in the case of a contract of group insurance that contains a provision removing or restricting the right of the group life insured to designate persons to whom or for whose benefit insurance money is to be payable,
 - (i) the method of determining the persons to whom or for whose benefit the insurance money is or may be payable, and*
 - (ii) the following statement in conspicuous bold type:*

This policy contains a provision removing or restricting the right of the group life insured to designate persons to whom or for whose benefit insurance money is to be payable.*
- (e) in the case of a contract of group insurance that replaces another contract of group insurance on some or all of the group life insureds under the replaced contract, whether a designation of a group life insured, a group life insured's personal representative or a beneficiary as a person to whom or for whose benefit insurance money is to be payable under the replaced contract applies to the replacing contract;*
- (f) the rights of the group life insured, the debtor insured or a claimant under the contract to obtain copies of documents under subsection 151(5) or (6);*
- (g) the following statement:*

Every action or proceeding against an insurer for the recovery of insurance money payable under the contract is absolutely barred unless commenced within the time set out in The Insurance Act.

Saskatchewan includes an additional provision at paragraph 8-106(1)(e) that reads “a description of any restrictions or exclusions of coverage under the contract”. We are considering including Saskatchewan’s provision to enhance consumer rights and to assist a person in understanding his coverage. We welcome your thoughts.

We note that Saskatchewan also includes “a description of any restrictions or exclusions of coverage under the contract” in s. 8-105 related to what needs to be set out in the policy. Neither Manitoba nor any other jurisdiction have this. It seems odd to include it in a list of what must be set out in a policy as one would think that any restrictions or exclusions would have to be set out in the policy or they would not be restrictions or exclusions. We don’t feel that it is necessary, but perhaps we are missing something. I note that Saskatchewan does not include it for a regular policy at s.8.8.

We note that Saskatchewan’s s. 8-164(1) dealing with certificates for group and creditor’s group for accident and sickness insurance have the provision, but Saskatchewan’s s. 8-161 dealing with the policy does not. We intend to include it for our equivalent of Manitoba’s s. 209(2) (certificate). However, we don’t think that it belongs in our proposed equivalent of Manitoba’s s. 207(4) (what needs to be set out in the policy)? We want to confirm that you agree.

CAFI Response/Comment: with respect to “Information set out in Policy and Certificate,” we support FCNB’s intention to weave subsection 154(2) of Manitoba’s Insurance Act together with subsection 8-106(1)(e) from Saskatchewan’s new Insurance Act with respect to the information that must be set out in the Certificate, as we concur that including Saskatchewan’s 8-106(1)(e) will enhance consumer rights and protection.

However, that said, we also concur with New Brunswick’s uncertainty and reservations about Saskatchewan subsection 8-105’s stipulation that “a description of any restrictions or exclusions of coverage under the contract” must be set out in the Policy itself. We agree that including that language with respect to the Policy would be a tautology, as any restrictions or exclusions must be set out in the Policy or they would not be restrictions or exclusions.

We therefore support New Brunswick’s stated intention to include Saskatchewan’s wording “a description of any restrictions or exclusions of coverage under the contract” only in its equivalent/harmonized provision with Manitoba’s subsection 209(2) (certificate), and to exclude it from its equivalent/harmonized provision with Manitoba’s subsection 207(4) (what needs to be set out in the policy).

Termination of Policy

Manitoba has the following provision:

155(4) A person whose life is insured may, if an insurable interest no longer exists, apply to the court for an order requiring the insurer to immediately terminate the policy and pay over to the policy owner any value that exists in the policy.

FCNB Question/Comment: We are proposing to adopt this and Manitoba’s s. 217.1 under accident and sickness insurance. Although we intend to adopt a provision similar to Manitoba’s s. 155.1 (and s. 217.2) which allows people to apply to court for an order respecting a policy, we feel that there is a gap, as a prerequisite to relief under s. 155.1 and 217.2 is that the application reasonably believe that their life or health might be endangered. We are curious as to why no other jurisdiction has felt the need to adopt it. Do you have any insights on this?

CAFII Response/Comment: CAFII recommends that New Brunswick not adopt Manitoba's provisions on Termination of policy as they do not include certain safeguards/protections and other key details found in the language more recently adopted by other provinces.

Alberta and BC have more recently adopted language that has greater precision and clarity on Termination of Policy; and we therefore refer you to section 648 of Alberta's Insurance Act. It is our understanding that Manitoba, after initially adopting section 155(4), subsequently added the Alberta and BC language to its Act but neglected to remove the older, now archaic language.

Court Action

FCNB Question/Comment: We are proposing to adopt a provision similar to Manitoba's 155.1. However, we prefer the structure of Ontario's s. 179.1 (subject to what the drafters wish to do). Section 179.1 reads:

179.1 (1) A person may make an application to the court if,

(a) the person's life is insured under a contract;

(b) the person is not the insured under the contract; and

(c) the person reasonably believes that the person's life or health might be endangered by the insurance on his or her life continuing under that contract.

Ontario's provision goes on to read:

(2) Upon an application being made under subsection (1), the court may make any order it considers just in the circumstances, including,

(a) an order that the insurance on that person's life under the contract be terminated in accordance with the terms of the contract other than any terms respecting notice of termination; and

(b) an order that the amount of insurance under the contract on that person's life be reduced.

The court's authority to make an order is broad (i.e., an order that the "court considers just"). Each jurisdiction has the same two potential orders (termination of policy, reduction of amount). Based on our previous work with the Maritime Harmonized project, we intend to include the following two potential orders:

- an order designating a different beneficiary; and
- an order designating a different owner or assigning the contract.

Despite the broad authority, we want to make it clear that these are two options and we believe that they may provide better solutions in some cases. For the second item we are envisioning a situation where a spouse may feel more comfortable if her or his former partner was no longer the owner of a policy, but still wants to maintain the policy and to protect insurability. We believe that her taking over ownership of the policy is the best solution. We welcome your thoughts and would like your opinion on the best wording for that clause (i.e., is "assigning" appropriate?).

Further, the jurisdictions include the following subsection:

- An order made pursuant to this section binds any person having an interest in the contract.
- During the Harmonization Project, we had proposed the following wording:

- An order made by the court binds any person having an interest in the contract and, if applicable, discharges the insurer of all liabilities in respect of the policy terminated by the order.

We think that this provides greater clarity, but would like your input to ensure that there are no unintended consequences arising from the additional words.

We are proposing the same for the accident and sickness part.

CAFII Response/Comment: with respect to Court Action, CAFII supports New Brunswick's intention to adopt a provision similar to Ontario's section 179.1.

That said, however, since the time that such a provision was adopted by BC, Alberta, Manitoba, and Ontario, the industry has had time to reflect on the restriction imposed by the specific exclusion of the contract owner.

The industry has identified a concern with excluding the contract owner in that there may be circumstances where the owner may need to rely on this provision. Two examples would be (i) a situation where the owner/insured felt endangered by a person who is the irrevocable beneficiary; and (ii) a joint-first-to-die policy, where both lives insured are joint owners.

CAFII believes that removing the exclusion of the contract owner would enhance consumer protection for New Brunswickers. We view this as a rare exception situation where a lack of current harmonization with other provinces/territories would be warranted.

In addition, our Association has concerns about the proposed additional wording for this provision that New Brunswick is considering adopting; and we recommend against that additional wording. Restricting the court's discretion and ability to assess the facts before it in each case and to determine the best solution could produce unintended consequences for consumers and insurers with respect to a contract of insurance, in particular related to matters involving an irrevocable beneficiary.

To address another aspect of your questions, it isn't clear that a court order designating a different beneficiary would achieve the desired outcome for the person insured. If the ownership of the policy is not impacted by the order, the owner would still have the subsequent ability to change the beneficiary designation. Even if the beneficiary designation were irrevocable, it could still be changed with the consent of the irrevocable beneficiary. The court order could require that the designation could only be changed by subsequent order of the court, but that would create an administrative burden should a need arise for the designation to be changed.

The contract would need to be absolutely assigned in order for the ownership to be changed. This would protect the insurability of the life insured and would allow for the new owner to designate a new beneficiary. However, depending upon the type of policy, an absolute assignment could have tax consequences which would have to be considered by the court in making such an order. As well, an assignment could only be made of an individual insurance contract, not of coverage under a group insurance policy.

CAFII does not foresee any negative, unintended consequences from the wording which FCNB is proposing; however, references to "policy" should be changed to "contract" throughout.

An order made by a court would bind any person having an interest in the contract and, if applicable, discharge the insurer of all liabilities in respect of the contract terminated by the order.

Medical Assistance in Dying

FCNB Comment/Question: Saskatchewan adopted the following:

8-118.1(1) In this section, “medical assistance in dying” means medical assistance in dying as defined in section 241.1 of the Criminal Code.

(2) Section 8-118 does not apply to an insured who receives medical assistance in dying.

(3) If a contract contains an undertaking, express or implied, that insurance money will be paid if a person whose life is insured receives medical assistance in dying, the undertaking is lawful and enforceable.

(4) For the purposes of this Act, if an insured receives medical assistance in dying, that insured is deemed to have died as a result of the illness, disease or disability for which he or she was determined to be entitled to receive that assistance, in accordance with clause 241.2(3)(a) of the Criminal Code.

We are proposing to adopt something similar. We appreciate that industry has taken the position to not deny in cases of medical assistance in dying, but we would like to see it codified. Do you have any feedback on Saskatchewan’s provision? Also, we propose to use “person whose life is insured” as opposed to “insured” which will make it clear that it also applies to group life insureds.

CAFII Response/Comment: CAFII supports New Brunswick’s intention to include a provision that is equivalent/harmonized with section 8-118 of Saskatchewan’s new Insurance Act with respect to Medical Assistance in Dying (MAID).

That said, however, we recommend that New Brunswick take an approach that is somewhat different from the one used by Saskatchewan in section 8-118.1(2). Section 8-118.1(2)’s exclusion of MAID from section 118 does not produce the Act’s desired intention of ensuring that MAID not be considered suicide for insurance contracts because section 8-118 indicates only that contract provisions that allow the payment of money in suicide cases are enforceable.

CAFII also supports New Brunswick’s intent to adopt the wording of Saskatchewan’s subsection 8-118.1(4) which deems the cause of a MAID death to be the underlying illness.

Finally, we concur with New Brunswick’s intention to use the wording “person whose life is insured” rather than “insured” in this section, as doing so will provide greater clarity and precision. That said, we encourage FCNB to consider an alternate approach that would achieve the same objective but with broader scope and application: broaden the definition of “insured” so that the term also applies to a group life insured and a debtor insured, in the context of MAID.

Prescribed rights of insured

FCNB Comment/Question: We are proposing to introduce a provision similar to Manitoba’s ss. 174(2):

174(2) Despite subsection 168(1), if a beneficiary is designated irrevocably and has not consented as described in clause (l)(b), the insured may exercise any rights in respect of the contract that are prescribed by regulation.

Saskatchewan has a similar provision at ss. 8-128(2). However, we note that Saskatchewan also has the following provision at ss. 8-122(4):

8-122(1) An insured may, in a contract or by a declaration, other than a declaration that is part of a will, filed with the insurer at its head office in Canada during the lifetime of the person whose life is insured, designate a beneficiary irrevocably.

(2) If the insured makes a designation pursuant to subsection (1):

(a) the insured, while the beneficiary is living, may not alter or revoke the designation without the consent of the beneficiary; and

(b) the insurance money is not subject to the control of the insured or the claims of the insured's creditors and does not form part of the insured's estate.

(3) If an insured purports to designate a beneficiary irrevocably in a will or in a declaration that is not filed pursuant to subsection (1), the designation has the same effect as if the insured had not purported to make it irrevocable.

(4) If a beneficiary is designated irrevocably, the insured may exercise the prescribed rights to deal with the contract of insurance. 2015, c.1-9.11, s.

We feel that the substance of ss. 8-122(4) is covered in ss. 174(2), but want to confirm that we are not missing anything.

CAFII Response/Comment: CAFII concurs with and supports New Brunswick's intention to adopt a provision equivalent/harmonized with subsection 174(2) of Manitoba's Insurance Act, with respect to Prescribed rights of insured, within its own Act. We also concur that the substance of subsection 8-122(4) of Saskatchewan's new Insurance Act is covered in subsection 174(2) of the Manitoba Act.

That said, while we support such a provision, CAFII recommends that New Brunswick adopt the wording found in section 9.1 of BC's Insurance Act Regulation 403/2012 with respect to "Rights exercisable by insured when irrevocable beneficiary designated – life and accident and sickness contracts." That BC provision was recently adopted after consultation with Alberta, Saskatchewan, Manitoba, and Ontario. We also recommend that the comprehensive and clear wording of that BC provision would be better placed within New Brunswick's Insurance Act, rather than in a Regulation. That approach would permit all of the Prescribed rights of insured-related provisions to be found in one place, and thereby reduce the chance that consumers or industry representatives would overlook an important provision or clarification.

Enforcement of payment

FCNB Comment/Question: Section 208(3) in the Accident and Sickness part of the New Brunswick Insurance Act reads:

208(3) A beneficiary designated under section 207 may upon the death by accident of the person insured or group person insured enforce for his own benefit, and a trustee appointed pursuant to section 209 may enforce as trustee, the payment of insurance money payable to him, and the payment to the beneficiary or trustee discharges the insurer to the extent of the amount paid, but the insurer may set up any defence that it could have set up against the insured or his personal representative.

There are three elements:

- A beneficiary or the trustee can enforce a payment of insurance money,
- The payment to the beneficiary or the trustee discharges the insurer, and
- The insurer can set up a defence that it could have set up against the insured.

Manitoba has broken this into three subsections:

225(6) A beneficiary designated under section 224 may enforce for his or her own benefit, and a trustee appointed under section 226 may enforce as trustee, the payment of insurance money payable to the beneficiary or for his or her benefit under the contract or by a declaration in accordance with the provisions of the contract or declaration.

225(7) In an action by the beneficiary or trustee, the insurer may set up any defence that it could have set up against the insured or the insured's personal representative.

225(8) Payment by the insurer to the beneficiary or trustee discharges the insurer to the extent of the amount paid.

Like N.B.'s ss. 208(3), the payment to either the beneficiary or the trustee discharges the insurer. However, the other jurisdictions who have updated their Acts do not have this clause. For example, Saskatchewan's s. 8-183 reads:

8-183 A beneficiary may enforce for the beneficiary's own benefit, and a trustee appointed pursuant to section 8-181 may enforce as trustee, the payment of insurance money made payable to the beneficiary or trustee in the contract or by a declaration in accordance with the provisions of the contract or declaration, but the insurer may set up any defence that it could have set up against the insured or the insured's personal representative.

Saskatchewan's Act (like the others) has the following:

8-181(1) An insured may in a contract or by a declaration appoint a trustee for a beneficiary and may alter or revoke the appointment by a declaration.

(2) A payment made by an insurer to a trustee for a beneficiary discharges the insurer to the extent of the amount of the payment.

Unlike Manitoba's subsection 225(3), Saskatchewan's subsection 8-181(2) only talks about the payment to the trustee discharging the insurer.

In the life part, all jurisdictions are like the Saskatchewan Accident and Sickness provisions. For example, Manitoba's Act includes these provisions:

170(1) An insured may, in a contract or by a declaration, appoint a trustee for a beneficiary and may change or revoke the appointment by a declaration.

170(2) A payment made by an insurer to a trustee for a beneficiary discharges the insurer to the extent of the amount paid.

172(1) A beneficiary may enforce for his or her own benefit, and a trustee appointed under section 170 may enforce as trustee, the payment of insurance money made payable to the beneficiary or trustee in the contract or by a declaration in accordance with the provisions of the contract or declaration.

172(2) In an action by the beneficiary or trustee, the insurer may set up any defence that it could have set up against the insured or the insured's personal representative.

We like the Manitoba provisions for the Accident and Sickness part, but wonder why it is treated differently in other jurisdictions and in the Life Part. We welcome your comments on the discrepancies and the rationale.

CAFII Response/Comment: CAFII is not aware of the reasons behind the discrepancy. We support New Brunswick's inclusion of language in the Life and Accident & Sickness parts to stipulate that a payment to a beneficiary discharges the insurer. We also observe that there are additional discharge provisions to consider such as those found in sections 8-138(1) and 8-184(1) of Saskatchewan's Insurance Act and sections 207(1) and 316(1) of Ontario's Insurance Act.

Presumption of death declaration

FCNB Comment/Question: Subsection 8-140(2) of the Saskatchewan Act reads:

8-140 (2) A declaration of presumption of death made by the court pursuant to subsection (1) must contain particulars of the following information to the extent that those particulars have been established to the satisfaction of the court:

- (a) the full name of the person presumed dead, including, if applicable, a birth or married name;*
- (b) the place where the death is presumed to have occurred;*
- (c) the date on which the death is presumed to have occurred;*
- (d) whether the presumed death was accidental;*
- (e) any other information that the court directs.*

We are proposing to include a similar provision. We note that Alberta has a similar provision (ss. 680(2)) but includes "the sex of the person presumed dead". We are not sure of the need to include this, so would welcome your opinion. We will also be proposing similar provisions for the accident and sickness part.

CAFII Response/Comment: CAFII concurs with and supports New Brunswick's intention to adopt a provision equivalent/harmonized with subsection 8-140(2) of Saskatchewan's Insurance Act, with respect to Presumption of death declaration, in both the Life and Accident & Sickness parts. In CAFII's view, inclusion of a clause requiring a death declaration to include "the sex of the person presumed dead," as per Alberta's Insurance Act, is not necessary and its absence will not produce any negative unintended consequences. Finally, we recommend that the provisions related to Presumption of Death declaration be included in New Brunswick's Insurance Act, rather than in a separate Act, as in some provinces, or in a Regulation.

Accident and Sickness

FCNB Comment/Question: Section 187(1) of the NB Act references provisions that apply to a contract that was made, or in effect, prior to October 1970. We compared Manitoba and Saskatchewan and have identified several provisions that we will be adopting and will be included in the list. In particular, provisions similar to the following provisions will be included (Saskatchewan references):

8-156, - provisions applying to A&S
8-158 – application to group insurance
8-173 – Disclosure of material facts (same as our 202 and Manitoba’s 219)
8-179 – Irrevocable designation
8-180 – designation in will
8-186 – insured dealing with contract
8-188 – entitlement to dividends
8-189 - transfer of ownership
8-191 – enforcement of creditor’s group rights
8-193 – insurer obligation to pay upon sufficient evidence (not sure if we will adopt this)
8-194 - Declaration as to sufficiency of proof (Manitoba’s 230.4(2))
8-195 – declaration of presumption of death

Please let us know if there are any issues with these provisions applying to policies issued prior to 1970.

Further, we feel that our proposed provisions similar to s. 217.1 and s. 217.2 in Manitoba (court order re termination of policy or other relief) should also be included on the list, as it would make sense that that relief was also available for pre-October 1970 policies.

CAFIL Response/Comment: on this question, we have restricted our comments on updating/amending section 187(1) of the current New Brunswick Insurance Act, based on the Saskatchewan Act’s section numbers, to those provisions which have implications for creditor’s group insurance and therefore are most germane for our Association’s members.

Section 8-158: we recommend that this section be expanded to include creditor’s group insurance because in the absence of its inclusion, creditor’s group insurance would be governed by the law of the province where the contract was issued, pursuant to Saskatchewan subsection 8-157(1), and not by the law of the province where the debtor insured resided when the insurance took effect.

Section 8-191: we recommend that New Brunswick use the wording of Alberta’s section 672 – in particular subsection (3) -- rather than Saskatchewan’s wording. Saskatchewan’s subsection (3) doesn’t contemplate a debtor who is jointly liable for the debt with the debtor insured. Without the wording contained in Alberta’s subsection 672(3), any excess benefits from the insurance would be paid to the deceased debtor’s estate when they should go to a joint debtor.

Section 8-193: we recommend against the adoption of this Saskatchewan provision which is of concern because it doesn’t expressly include group and creditor’s group insurance, even though those types of insurance are excluded under the Statutory Conditions. This Saskatchewan provision appears to be an outlier that is not included in any other provincial/territorial Insurance Act.

Finally, we support New Brunswick’s intention to include provisions similar to Manitoba sections 217.1 and 217.2 with respect to “court order re termination of policy or other relief.”

Statutory Conditions

FCNB Comment/Question: There is a difference in whether the Statutory Conditions are placed in a schedule or not. What is your opinion on this? What are your thoughts on putting them in a regulation? Our final decision may depend on drafters' preference.

CAFII Response/Comment: CAFII recommends that the Statutory Conditions be included in the Insurance Act itself, rather than in a separate Schedule. That approach would enable such critically important provisions to be found in the same single location as related and derivative provisions, and thereby reduce the chance that consumers or industry representatives would overlook or have difficulty finding an important provision or clarification.

Statutory Condition 4

FCNB Comment/Question: NB's Act has the following statutory condition:

4 Where the benefits for loss of time payable hereunder either alone or together with any other benefits, compensation or right of payment for or in respect of loss of time due to disability exceed the money value of the time of the person insured, the insurer is liable only for that proportion of the benefits for loss of time stated in this policy that the money value of the time of the person insured reduced by all such other benefits, compensation, or rights of payment other than as are provided under this and similar contracts or as are provided under a contract of group insurance, or a life insurance contract providing disability benefits bears to the aggregate of the benefits for loss of time payable hereunder and under similar contracts and any contract of group insurance or life insurance contract providing disability benefits and the excess premium, if any, for the current term shall be returned to the insured.

I note that Alberta, BC and Manitoba removed the condition, but note that Ontario did not. We are proposing to repeal it, but wonder if you have any insights into why Ontario retained it. Ontario also appears to be out of sync on statutory conditions 5 and 6 as well.

CAFII Response/Comment: we support New Brunswick's intention to remove Statutory Condition 4 and to adopt the exact wording of Statutory Conditions 5 and 6 which BC, Alberta, and Manitoba all use. Given the critically important nature of these provisions, it is vital to the industry that there be harmonization on them across provincial/territorial Insurance Acts. CAFII will be working alongside other industry stakeholders to convince Ontario to make the same changes in a timely and uniform manner.

Payment of premium by assignee or beneficiary

FCNB Comment/Question: Manitoba has the following provision under its accident and sickness part:

217.3 Except in the case of group insurance or creditor's group insurance, an assignee of a contract, a beneficiary or a person acting on behalf of one of them or on behalf of the insured may pay any premium that the insured is entitled to pay.

Most jurisdictions only have it for life insurance. We welcome your thoughts on whether it should also be included under accident and sickness.

CAFII Response/Comment: we recommend that New Brunswick include this provision in the Accident & Sickness part of its new Insurance Act as we do not see any potentially negative or unintended consequences to doing so.

Non-payment of premium

FCNB Comment/Question: NB's Act includes ss. 198(2), which reads:

198(2) Where a cheque or other bill of exchange or a promissory note or other written promise to pay is given for the whole or part of a premium and payment is not made according to its tenor the premium or part thereof shall be deemed never to have been paid.

Manitoba retained the provision for accident and sickness. The other jurisdictions removed the provision (but retained it for life insurance). We welcome your thoughts on whether it should be retained under accident and sickness insurance.

CAFII Response/Comment: we recommend that New Brunswick include this provision in the Accident & Sickness part of its new Insurance Act as we do not see any potentially negative or unintended consequences to doing so.

Persons insurable - Insurable Interest

FCNB Comment/Question: Saskatchewan had proposed the following new provision at 8-171(2):

(2) If a primary person places insurance on the life or well-being or both of any person set out in clause (1)(a), the insurer shall send a notice in writing to those persons who are insured;

(a) at the time the insurance is placed, advising of the particulars of the insurance; and

(b) when any material changes are made to the insurance, advising of the particulars of the changes, including assignment or cancellation of the contract.

This provision was not proclaimed. No other jurisdiction appears to have it. I understand why Saskatchewan had proposed it. Did industry have issues with it?

CAFII Response/Comment: we strongly recommend that New Brunswick not include this un-proclaimed Saskatchewan provision. We had serious concerns about this provision's application to group insurance; and we expressed those concerns to Saskatchewan. It would have been necessary to expressly exempt group insurance from this provision (and its equivalent under the Life part) because it would be impossible to implement in practice.

The insurer, in many cases, does not have contact information for the person insured since the contract is made with the owner. As well, it would not be feasible for the insurer to obtain and keep the contact information on the person insured updated. Most insurers' systems have not been built to collect and store this information. The person insured is also not a party to the contract; therefore, a privacy issue is created if information about the policy must be shared with individuals other than the owner.

Payment to relatives or persons equitably entitled

FCNB Comment/Question: Section 217 of the New Brunswick Act reads:

217 *Notwithstanding that insurance money is payable to a person, the insurer may if the contract so provides, but subject always to the rights of an assignee, pay an amount not exceeding two thousand dollars to*

(a) a relative by blood or connection by marriage of a person insured or the group person insured, or

(b) any person appearing to the insurer to be equitably entitled thereto by reason of having incurred expense for the maintenance, medical attendance or burial of a person insured or the group person insured, or to have a claim against the estate of a person insured or the group person insured in relation thereto,

and any such payment discharges the insurer to the extent of the amount paid.

We note that this provision has been maintained in those jurisdictions that have updated their accident and sickness part and we intend to do the same. We understand how the provision works, but would welcome your input on why such a provision was enacted. We also propose to increase the amount to \$10,000 and welcome your thoughts on that.

CAFII Response/Comment: we support FCNB's stated intention to modernize but maintain the essence of section 217 of the province's current Insurance Act because this provision is beneficial to consumers in certain situations.

With respect to the sub-proposal to increase the amount of the stated limit on the amount of insurance benefits that can be paid in applicable situations, we recommend that FCNB handle that by including in the Act the ability to increase the limit by Regulation, in the future.

CAFII 2021 Schedule of Meetings and Events
(Proposed For CAFII Board of Directors' Approval at October 15/20 Meeting)

EOC Meetings: *To be held for 2 hours or 1.5 hours, in alternating months, via teleconference*

- **Tuesday, January 26, 2021** (2:00-4:00 p.m.)
- **Tuesday, February 23, 2021** (2:00 – 3:30 p.m.)
(Family Day stat holiday: Monday, February 15)
- **Tuesday, March 30, 2021** (2:00-4:00 p.m.)
(Good Friday, April 2; Easter Monday, April 5)
- **Tuesday, April 27, 2021** (2:00 – 3:30 p.m.)
- **Tuesday, May 25, 2021** (2:00-4:00 p.m.)
(Victoria Day stat holiday: Monday, May 24)
- **Tuesday, June 22, 2021** (2:00 – 3:30 p.m.)
(St. Jean Baptiste Day: Thursday, June 24; Canada Day: Thursday, July 1)
- **Tuesday, July 20, 2021** , tentative summer meeting (2:00 – 3:30 p.m.)
- **Tuesday, August 17, 2021**, tentative summer meeting (2:00 – 3:30 p.m.)
(Civic Stat Holiday: Monday, August 2)
- **Tuesday, September 14, 2021** (2:00-4:00 p.m.) *If in-person meeting is possible, switch to 2:00-4:30 p.m. meeting, hosted by TBA.*
(Rosh Hashanah: September 7 & 8; Yom Kippur: September 16)
- **Tuesday, October 26, 2021** (2:00 – 3:30 p.m.)
(Thanksgiving Stat Holiday: Monday, October 11)
- **Tuesday, November 23, 2021** (2:00-4:00 p.m.) *If in-person meeting is possible, switch to 2:00-4:30 p.m. meeting, hosted by TBA.*
- **EOC Annual Dinner:** TBA in conjunction with September or November 2021 in-person EOC meeting, if public health requirements allow.

Board Meetings:

- **Tuesday, April 13, 2020** (2:00-4:00 p.m.; Virtual Meeting possibly followed by CAFII Webinar).
- **Tuesday, June 8, 2020** (2:00-5:00 p.m., immediately preceded by 2021 CAFII Annual Meeting of Members, and possibly followed by CAFII Webinar).
- **Tuesday, October 5, 2021** (2:00-4:00 p.m.; Virtual Meeting possibly followed by CAFII Webinar). *If in-person meeting is possible, switch to 2:20-4:00 p.m. meeting, immediately following liaison lunch and Industry Issues Dialogue with AMF staff executives, hosted by Desjardins Insurance in Levis, Quebec.*
- **Tuesday, December 7, 2021** (2:00-4:00 p.m.; Virtual Meeting possibly followed by CAFII Webinar). *If in-person meeting is possible, switch to 2:00-5:00 p.m. meeting, followed by Reception, hosted by CIBC Insurance.*

2021 Annual Members Luncheon:

- **Tentative Date:** Tuesday, March 9, 2021 from 12 Noon to 1:30 p.m. EST (Virtual-only Webinar)

2020 Board meetings Hosted by:

None, due to COVID-19 pandemic situation

2019 Board meetings Hosted by:

CUMIS (National Club), Manulife Financial, National Bank Insurance, TD Insurance

2018 Board Meetings Hosted by:

CAFI; ScotiaLife Financial; BMO Insurance; The Canada Life Assurance

2017 Board Meetings Hosted by:

TD Insurance; CAFI; Desjardins; CIBC Insurance

2016 Board Meetings Hosted by:

CUMIS Group; Assurant Solutions; RBC Insurance; BMO Insurance

2015 Board Meetings Hosted by:

CIBC Insurance; ScotiaLife Financial; Desjardins; Canadian Premier

Recent Years' Annual Members' Luncheons**2020 Annual Members Luncheon Webinar**

Date: Wednesday, October 21, 2020 from 12 Noon to 1:00 p.m. EDT

Topic: "Setting the Bar Higher: How the Financial Consumer Protection Framework Sets a New Standard for Fairness and Transparency"

Speaker: Frank Lofranco, Deputy Commissioner, Supervision and Enforcement, Financial Consumer Agency of Canada

Venue: Virtual-Only Webinar

2019 Annual Members Luncheon

Date: Tuesday, February 19, 2019 from 11:45 a.m. to 2:15 p.m.

Topic: "The Changing Regulatory Environment – Challenges, Risks and Opportunities"

Panelists: Stuart Carruthers, Partner, Stikeman Elliott LLP, Koker Christensen, Partner, Fasken, Jill McCutcheon, Partner, Torys LLP. Panel Moderator: Nicole Benson, CEO, Canadian Premier Life / valeyo

Venue: Arcadian Loft, 401 Bay St., Simpson Tower, 8th Floor, Toronto, ON

2018 Annual Members Luncheon

Topic: "Leading For Success in A Volatile World"

Speaker: Richard Nesbitt, CEO, the Global Risk Institute

Venue: Arcadian Loft, 401 Bay St., Simpson Tower, 8th Floor, Toronto, ON

2017 Annual Members Luncheon

Topic: Tomorrow is Today: Insurtech Disruption in the Life and Health Insurance Sector

Speaker: Keegan Iles, Director, Insurance Consulting Leader, PwC Canada

Venue: Arcadian Loft, 401 Bay St., Simpson Tower, 8th Floor, Toronto, ON

2016 Annual Members Luncheon

Topic: Innovation in Insurance: Opportunities in a Changing Market

Speaker: Alison Salka, Ph.D, Senior Vice President and Director Research, LIMRA

Venue: Arcadian Loft, 401 Bay St., Simpson Tower, 8th Floor, Toronto, ON

Briefing Note

CAFII EOC Meeting 29 October 2020—Agenda Item 3(a) CAFII Financial Statements as at September 30/20

Purpose of this Agenda Item – Update

To update the EOC on the Association's finances which received Board approval at the 15 October, 2020 Board meeting.

Background Information

Treasurer Tony Pergola will provide an update on the CAFII Financial Statements as at 30 September, 2020.

Recommendation / Direction Sought – Update

This is an update only.

Attachments Included with this Agenda Item

One attachment.

CAFII

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

Statement of Operations As at September 30, 2020

	Current Month	Budget Sep-20	Variance to Monthly Budget	Current YTD	Budget '20 YTD	Variance Budget to YTD	Budget 2020
Revenue							
Membership Dues	\$73,727	\$75,727	(\$2,000)	\$663,540	\$681,540	(\$18,000)	\$908,720
Luncheon Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest Revenue	\$24	\$17	\$7	\$338	\$150	\$188	\$200
TOTAL REVENUE	\$73,750	\$75,743	(\$1,993)	\$663,878	\$681,690	(\$17,812)	\$908,920
Expenses							
Management Fees	\$39,034	\$39,582	\$548	\$359,741	\$356,242	(\$3,499)	\$474,989
CAFII Legal Fees/Corporate Governan	\$0	\$5,000	\$5,000	\$28,975	\$15,000	(\$13,975)	\$20,000
Audit Fees	\$1,271	\$1,271	(\$0)	\$12,930	\$11,435	(\$1,495)	\$15,247
Insurance	\$449	\$458	\$9	\$4,039	\$4,122	\$83	\$5,500
Website Ongoing Maintenance	\$244	\$458	\$215	\$3,883	\$4,125	\$242	\$5,500
Telephone/Fax/Internet	\$814	\$483	(\$330)	\$4,214	\$4,350	\$136	\$5,800
Postage/Courier	\$53	\$21	(\$32)	\$53	\$188	\$134	\$250
Office Expenses	\$66	\$167	\$100	\$1,886	\$1,500	(\$386)	\$2,000
Bank Charges	\$0	\$16	\$16	\$236	\$143	(\$93)	\$190
Miscellaneous Expenses	\$0	\$42	\$42	\$0	\$378	\$378	\$500
Depreciation Computer/Office Equipm	\$95	\$100	\$5	\$852	\$900	\$48	\$1,200
Board/EOC/AGM							
Annual Members Lunch	\$0	\$0	\$0	\$0	\$12,400	\$12,400	\$12,400
Board Hosting (External)	\$0	\$0	\$0	\$0	\$15,000	\$15,000	\$22,500
Board/EOC/Meeting Expenses	\$0	\$3,292	\$3,292	\$5,559	\$29,625	\$24,066	\$39,500
Industry Events	\$0	\$0	\$0	\$0	\$1,300	\$1,300	\$1,300
EOC Annual Appreciation Dinner	\$0	\$0	\$0	\$4,244	\$4,244	\$0	\$4,244
Sub Total Board/EOC/AGM	-	3,292	3,292	9,803	62,569	52,766	79,944
Provincial Regulatory Visits	\$0	\$0	\$0	\$983	\$8,000	\$7,017	\$12,875
Research/Studies	\$0	\$5,000	\$5,000	\$0	\$45,000	\$45,000	\$60,000
Website SEO and Enhancements	\$6,027	\$3,496	(\$2,531)	\$21,003	\$31,463	\$10,460	\$41,950
Regulatory Model(s)	\$0	\$0	\$0	\$0	\$10,000	\$10,000	\$15,000
Federal Financial Reform	\$0	\$625	\$625	\$540	\$5,625	\$5,085	\$7,500
CAFII Benchmarking Study/RSM Canada	\$16,950	\$5,650	(\$11,300)	\$51,415	\$50,850	(\$565)	\$67,800
FCAC Presentation	\$0	\$1,883	\$1,883	\$20,905	\$16,950	(\$3,955)	\$22,600
Media Outreach	\$2,260	\$3,008	\$748	\$21,255	\$27,075	\$5,820	\$36,100
Marketing Collateral	\$0	\$0	\$0	\$195	\$4,000	\$3,805	\$5,000
CAFII Reception Events	\$0	\$200	\$200	\$0	\$700	\$700	\$900
Speaker fees & travel	\$0	\$0	\$0	\$0	\$1,400	\$1,400	\$2,000
Gifts	\$0	\$0	\$0	\$0	\$300	\$300	\$500
Networking Events	\$0	\$0	\$0	\$0	\$300	\$300	\$500
Sub Total Networking & Events	-	-	-	-	2,000	2,000	3,000
TOTAL EXPENSE	67,262	70,752	3,490	542,907	662,614	119,706	883,845
NET INCOME	6,488	4,991	1,497	120,971	19,076	101,894	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 cafi.com, subscription and website improvements

CAFII

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

Balance Sheet As at September 30, 2020

	CAFII Operations			CCBPI Project			Combined		
	30-Sep 2020	31-Aug 2020	31-Dec 2019	30-Sep 2020	31-Aug 2020	31-Dec 2019	30-Sep 2020	31-Aug 2020	31-Dec 2019
ASSETS									
Current Assets									
Bank Balance	\$486,100	\$545,999	\$251,549	\$0	\$0	\$0	\$486,100	\$545,999	\$251,549
Savings Account	\$102,217	\$102,193	\$101,879	\$12,151	\$12,151	\$12,151	\$114,368	\$114,344	\$114,030
Accounts Receivable	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Prepaid Expenses	\$6,344	\$3,779	\$3,251	\$0	\$0	\$0	\$6,344	\$3,779	\$3,251
Computer/Office Equipment	\$8,014	\$8,014	\$8,014	\$0	\$0	\$0	\$8,014	\$8,014	\$8,014
Accumulated Depreciation -Comp/Equip	(\$6,594)	(\$6,499)	(\$5,742)	\$0	\$0	\$0	(\$6,594)	(\$6,499)	(\$5,742)
Total Current Assets	\$596,080	\$653,486	\$358,951	\$12,151	\$12,151	\$12,151	\$608,231	\$665,637	\$371,102
TOTAL ASSETS	\$596,080	\$653,486	\$358,951	\$12,151	\$12,151	\$12,151	\$608,231	\$665,637	\$371,102
LIABILITIES									
Current Liabilities									
Accrued Liabilities	\$11,439	\$10,168	\$115,891	\$0	\$0	\$0	\$11,439	\$10,168	\$115,891
Credit Card	\$256	\$1,445	\$1,223	\$0	\$0	\$0	\$256	\$1,445	\$1,223
Account Payable	\$12,011	\$2,260	\$11,613	\$0	\$0	\$0	\$12,011	\$2,260	\$11,613
Deferred Revenue	\$221,181	\$294,908	\$0	\$0	\$0	\$12,151	\$221,181	\$294,908	\$12,151
Total Current liabilities	\$244,886	\$308,780	\$128,727	\$0	\$0	\$12,151	\$244,886	\$308,780	\$140,879
TOTAL LIABILITIES	\$244,886	\$308,780	\$128,727	\$0	\$0	\$12,151	\$244,886	\$308,780	\$140,879
UNRESTRICTED NET ASSETS									
Unrestricted Net Assets, beginning of year	\$230,223	\$230,223	\$271,190	\$12,151	\$12,151	\$0	\$242,375	\$242,375	\$271,190
Excess of revenue over expenses	\$120,971	\$114,482	(\$40,967)	\$0	\$0	\$0	\$120,971	\$114,482	(\$40,967)
Total Unrestricted Net Assets	\$351,194	\$344,706	\$230,223	\$12,151	\$12,151	\$0	\$363,346	\$356,857	\$230,223
Total Unrestricted Net Assets	\$351,194	\$344,706	\$230,223	\$12,151	\$12,151	\$0	\$363,346	\$356,857	\$230,223
TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS	\$596,080	\$653,486	\$358,950	\$12,151	\$12,151	\$12,151	\$608,231	\$665,637	\$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):	\$351,194
Current Level of Financials Reserve (%):	40%

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).	

CAFII

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Membership Fees

		Feb-20		Jul-20	
		<u>To be billed</u>	<u>Received</u>	<u>To be billed</u>	<u>Received</u>
BMO Bank of Montreal	2020 Upper Tier Member	\$ 38,555	6-Apr-20	\$ 38,555	15-Aug-20
CIBC Insurance	2020 Upper Tier Member	\$ 38,555	18-Mar-20	\$ 38,555	31-Jul-20
RBC Insurance	2020 Upper Tier Member	\$ 38,555	20-Mar-20	\$ 38,555	30-Jul-20
ScotiaLife Financial	2020 Upper Tier Member	\$ 38,555	2-Mar-20	\$ 38,555	7-Aug-20
TD Insurance	2020 Upper Tier Member	\$ 38,555	12-Mar-20	\$ 38,555	13-Aug-20
Desjardins Financial Security Life Assurance Company	2020 Upper Tier Member	\$ 38,555	10-Apr-20	\$ 38,555	31-Jul-20
National Bank Life Insurance Company	2020 Upper Tier Member	\$ 38,555	2-Mar-20	\$ 38,555	24-Jul-20
Manulife Financial	2020 Upper Tier Member	\$ 38,555	6-Mar-20	\$ 38,555	14-Jul-20
The Canada Life Assurance Company	2020 Upper Tier Member	\$ 38,555	30-Apr-20	\$ 38,555	8-Jul-20
Assurant Solutions	2020 Lower Tier Member	\$ 19,277	2-Mar-20	\$ 19,277	2-Jul-20
Canadian Premier Life Insurance Company	2020 Lower Tier Member	\$ 19,277	2-Mar-20	\$ 19,277	31-Jul-20
Cumis Group Ltd/Co-operators Life Insurance Co.	2020 Lower Tier Member	\$ 19,277	3-Apr-20	\$ 19,277	13-Aug-20
Sun Life Financial	2020 Initiation Members (Upper Tier)	\$ 23,133	23-Mar-20	\$ 23,133	31-Jul-20
RSM Canada	Associate	\$ 4,800	24-Mar-20		
Willis Towers Watson	Associate	\$ 4,800	16-Apr-20		
KPMG MSLP	Associate	\$ 4,800	29-May-20		
Munich Reinsuranace Company Canada Branch (Life)	Associate	\$ -	Not Renewing		
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	\$ -	Not Renewing		
RankHigher.ca	Associate	\$ -	Not Renewing		
TBC	Associate	\$ -			
TBC	Associate	\$ -			
Feb Invoices		\$456,760		\$427,960	
July Invoices		\$427,960			
Total Membership Fees		\$884,720			
Total amount to realocate monthly Jan-Sept		\$73,727			
Total amount to realocate monthly Oct-Dec		\$73,727			

Briefing Note

CAFII EOC Meeting 29 October 2020—Agenda Item 3(b) Forecast For CAFII 2020 Fiscal Year as at September 30/20

Purpose of this Agenda Item – *Update*

To update the EOC on the Association's forecast for 2020.

Background Information

Treasurer Tony Pergola will provide an update on the CAFII forecast as of 30 September, 2020. Mr. Pergola will note that the Association is expecting to achieve a significant positive variance to budget in its 2020 surplus due to a reduction in costs (less travel by CAFII's Co-Executive Directors, and the cancellation on in-person receptions and the Annual Members' Luncheon) due to COVID-19.

Recommendation / Direction Sought – *Update*

This is an update only.

Attachments Included with this Agenda Item

One attachment.

2020 CAFII Budget

	2016 Actual	2017 Actuals	2018 Actuals	2019 Actuals	2020 Budget	2020 YTD September 2020	2020 Revised Forecast	Comment/Rationale
Revenue								
Membership Dues	\$435,750	\$475,425	\$695,545	\$734,664	\$908,720	\$663,540	\$884,720	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	\$338	\$408	Interest from the Savings Account
TOTAL REVENUE	\$ 436,212	\$ 475,677	\$ 695,545	\$ 735,841	\$ 908,920	\$ 663,878	\$ 885,128	
EXPENSE								
Management Fees	\$279,042	\$442,012	\$460,299	\$465,134	\$474,989	\$359,741	\$476,844	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	\$28,975	\$28,975	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	\$12,930	\$16,743	3% increase over 2019 Revised Forecast
Insurance	\$5,238	\$5,238	\$5,258	\$5,338	\$5,500	\$4,039	\$5,385	Same as 2019 Budget
Website Ongoing Maintenance	\$13,060	\$42,575	\$6,461	\$10,022	\$5,500	\$3,883	\$4,899	Includes CG Technology (\$250 per month), Translation (\$400), Domain (\$30), Zoom (\$75 per month) & Survey Monkey \$307.36
Telephone/Fax/Internet	\$3,538	\$6,119	\$5,939	\$6,494	\$5,800	\$4,214	\$5,337	Same as 2019 Budget
Postage/Courier	\$180	\$380	\$458	\$159	\$250	\$53	\$100	2019 Revised Forecast plus \$50 contingency
Office Expenses	\$5,257	\$1,312	\$2,423	\$2,025	\$2,000	\$1,886	\$2,000	Same as 2019 Budget
Bank Charges	\$25	\$38	\$23	\$112	\$190	\$236	\$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	\$852	\$1,136	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	\$2,400	3% increase over 2019 Revised Forecast - Smaller Event planned for later in the year
Board Hosting (External)	\$19,407	\$7,500	\$19,515	\$14,001	\$22,500	\$0	\$15,000	Two Board Meetings/Receptions at \$7,500 each
Board/EOC Meeting Expenses	\$8,145	\$25,493	\$20,715	\$35,419	\$39,500	\$5,559	\$8,602	2019 actual amount decreased by 50%
Industry Events		\$36	\$1,270	\$0	\$1,300	\$0	\$0	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	\$9,803	\$30,246	
Provincial Regulatory Visits and Relationship-Building	\$10,395	\$11,011	\$11,230	\$16,833	\$12,875	\$983	\$2,575	3% increase over 2019 Revised Forecast - Atlantic Trip been deferred to 2021. Expense decreased by 80% of budget
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	\$21,003	\$41,950	3% increase over 2019 Revised Forecast
Regulatory Model(s)	\$0	\$15,001	\$6,490	\$7,555	\$15,000	\$0	\$7,500	Reduced by 50%
Federal Regulatory Visits and Relationship-Building	\$0	\$0	\$0	\$442	\$7,500	\$540	\$3,750	Reduced by 50%
CAFII Benchmarking Study/RSM Canada	\$0	\$0	\$0	\$0	\$67,800	\$51,415	\$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	\$20,905	\$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	\$21,255	\$29,535	3% increase over 2019 Budget
Marketing Collateral	\$1,781	\$0	\$557	\$1,629	\$5,000	\$195	\$500	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	\$0	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	\$0	Same as 2019 Budget
Gifts	\$221	\$452	\$0	\$200	\$500	\$0	\$0	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	\$0	Same as 2019 Budget
TOTAL EXPENSE	\$ 414,214	\$ 675,862	\$ 705,793	\$ 675,816	\$ 883,845	\$ 542,907	\$ 808,565	
Excess of Revenue over Expenses	\$21,998	(\$200,185)	(\$10,248)	\$60,025	\$25,075	\$120,971	\$76,563	
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	\$351,193	\$306,786	

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	\$202,141
Maximum 6 months (50%) of Annual Operating Expenses =	\$207,107	\$337,931	\$352,897	\$337,908	\$441,923	\$404,283
Actual/Forecasted Level of Financial Reserves:	\$380,758	\$180,573	\$170,198	\$230,223	\$255,298	\$306,786
Actual/Forecasted Level of Financial Reserves %:	92%	27%	24%	34%	29%	38%

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
Initiation Members (Lower Tier)	23,133	0	0.00
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 Reinsurance 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	6	28,800.00
			884,719.89

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 Optima Communications
- 5 RGA Life Reinsurance Company of Canada
- 6 Torys LLP
- 7 *TBC
- 8 *TBC

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

Did not renew in 2020

PWC
Munich Reinsurance Company Canada Branch (Life)
RankHigher.ca

Briefing Note

CAFII Board Meeting 29 October 2020—Agenda Item 3b(i)

Preliminary Draft of CAFII 2021 Operating Budget (Incorporating Assumptions and Related Feedback From CAFII Board on October 15/20)

Purpose of this Agenda Item – Update / Discussion

To provide the EOC with information on the approach the Association is recommending for the 2021 CAFII Budget.

Background Information

It is difficult to ascertain whether to budget for travel and in-person events in 2021, since the trajectory of COVID-19 is not known. We will propose some scenarios to the EOC based on differing assumptions, based on feedback from the Board at the 15 October, 2020 Board meeting.

Recommendation / Direction Sought – Update / Discussion

This is primarily an update, but EOC feedback via a short discussion will also be sought. An advanced/refined draft of the CAFII 2021 operating budget will be presented to the EOC as part of its 17 November, 2020 meeting; and then tabled for Board approval at its 1 December, 2020 Board meeting.

Attachments Included with this Agenda Item

One attachment.

2021 CAFII Budget

	2016 Actual	2017 Actuals	2018 Actuals	2019 Actuals	2020 Budget	2020 YTD Sept 2020	2020 Revised Forecast	2021 Budget (with In Person Events)	2021 Budget (with No In Person Events)	Comment/Rationale
Revenue										
Membership Dues	\$435,750	\$475,425	\$695,545	\$734,664	\$908,720	\$663,540	\$884,720	\$884,720	\$884,720	See breakdown in Member Dues Revenue Tab
Luncheon 2021	\$231	\$126	\$0	\$195	\$0	\$0	\$0	\$0	\$0	
Interest	\$231	\$126	\$0	\$982	\$200	\$338	\$410	\$300	\$300	Interest from the Savings Account
TOTAL REVENUE	\$ 436,212	\$ 475,677	\$ 695,545	\$ 735,841	\$ 908,920	\$ 663,878	\$ 885,130	\$ 885,020	\$ 885,020	
EXPENSE										
Management Fees	\$279,042	\$442,012	\$460,299	\$465,134	\$474,989	\$359,741	\$476,844	\$488,347	\$488,347	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	\$28,975	\$28,975	\$35,000	\$35,000	Based on 2020 actuals and the expectation that we will incur additional regulatory work in 2021 as the "backlog" is cleared, I would increase this to \$35K
Audit Fees	\$13,560	\$14,271	\$14,432	\$14,799	\$15,247	\$12,930	\$16,743	\$16,743	\$16,743	Same as 2020 Forecast
Insurance	\$5,238	\$5,238	\$5,258	\$5,338	\$5,500	\$4,039	\$5,385	\$5,385	\$5,385	Same as 2020 Forecast
Website Ongoing Maintenance	\$13,060	\$42,575	\$6,461	\$10,022	\$5,500	\$3,883	\$4,899	\$4,827	\$4,827	Includes CG Technology (\$226 per month), Constant Contact (\$61), Soda PDF Premium (\$56.47), Zoom (\$85 per month) & Survey Monkey (\$307.36)
Telephone/Fax/Internet	\$3,538	\$6,119	\$5,939	\$6,494	\$5,800	\$4,214	\$5,337	\$5,337	\$5,337	Same as 2020 Forecast
Postage/Courier	\$180	\$380	\$458	\$159	\$250	\$53	\$150	\$150	\$150	Same as 2020 Forecast
Office Expenses	\$5,257	\$1,312	\$2,423	\$2,025	\$2,000	\$1,886	\$2,000	\$2,000	\$2,000	Same as 2020 Forecast
Bank Charges	\$25	\$38	\$23	\$112	\$190	\$236	\$190	\$190	\$190	Same as 2020 Forecast
Amortization Expense	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Depreciation Computer/Office Equipment	\$467	\$1,564	\$1,136	\$1,136	\$1,200	\$852	\$1,136	\$1,136	\$1,136	Same as 2020 Forecast
Miscellaneous Expense	\$433	\$0	\$0	\$0	\$500	\$0	\$500	\$500	\$500	Same as 2020 Forecast
Board/EOC/AGM										
Annual Members Luncheon	\$12,044	\$10,247	\$10,503	\$12,052	\$12,400	\$0	\$2,400	\$12,400	\$0	For line items 24,25,26,and28 I would include the amount inputted as one scenario, and another scenario put in \$0
Board Hosting (External)	\$19,407	\$7,500	\$19,515	\$14,001	\$22,500	\$0	\$15,000	\$15,000	\$0	Two Board Meetings/Receptions at \$7,500 each
Board/EOC Meeting Expenses	\$8,145	\$25,493	\$20,715	\$35,419	\$39,500	\$5,559	\$11,118	\$25,000	\$15,000	
Industry Events	\$36	\$1,270	\$0	\$1,300	\$0	\$0	\$0	\$0	\$0	
EOC Annual Appreciation Dinner	\$2,079	\$8	\$763	\$2,193	\$4,244	\$4,244	\$4,244	\$4,244	\$0	Same as 2020 Forecast
Total Board/EOC/AGM	\$41,675	\$43,284	\$52,766	\$63,665	\$79,944	\$9,803	\$32,762	\$56,644	\$15,000	
Provincial Regulatory Visits and Relationship-Building	\$10,395	\$11,011	\$11,230	\$16,833	\$12,875	\$983	\$2,575	\$12,875	\$0	3% increase over 2019 Revised Forecast - Atlantic Trip been differed to 2021. Expense decreased by 80% of budget
Research/Studies	\$1,356	\$17,807	\$77,345	\$5,368	\$60,000	\$0	\$60,000	\$60,000	\$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	\$21,003	\$41,950	\$41,950	\$41,950	3% increase over 2019 Revised Forecast
Regulatory Model(s)	\$0	\$15,001	\$6,490	\$7,555	\$15,000	\$0	\$7,500	\$15,000	\$15,000	Reduced by 50%
Federal Regulatory Visits and Relationship-Building	\$0	\$0	\$0	\$442	\$7,500	\$540	\$3,750	\$7,500	\$7,500	Reduced by 50%
CAFII Benchmarking Study/RSM Canada	\$0	\$0	\$0	\$0	\$67,800	\$51,415	\$67,800	\$67,800	\$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	\$20,905	\$22,600	\$0	\$0	
Media Outreach	\$27,408	\$44,023	\$6,883	\$5,683	\$8,980	\$350	\$500	\$8,980	\$8,980	Split into Media Outreach and Media Consultant Retainer (David Moorcroft's S2C retainer)
Media Consultant Retainer			\$31,639	\$27,120	\$27,120	\$20,905	\$27,685	\$27,120	\$27,120	Split into Media Outreach and Media Consultant Retainer (David Moorcroft's S2C retainer)
Marketing Collateral	\$1,781	\$0	\$557	\$1,629	\$5,000	\$195	\$5,000	\$5,000	\$5,000	Same as 2019 Budget
Tactical Communications Strategy	\$446	\$379	\$0	\$0	\$0	\$0	\$0	\$0	\$0	covered under Media Outreach
CAFII Reception Events	\$0	\$500	\$0	\$0	\$900	\$0	\$500	\$900	\$0	Incidental expenses related to hosting of three CAFII Receptions in Toronto
Media Relations	\$0	\$164								
Speaker fees & travel	\$0	\$0	\$191	\$1,189	\$2,000	\$0	\$0	\$2,000	\$0	Same as 2020 Budget
Gifts	\$221	\$452	\$0	\$200	\$500	\$0	\$500	\$500	\$0	Same as 2020 Budget
CAFII 25th Anniversary Celebration	\$0	\$26,495	\$0	\$0	\$0	\$0	\$0	\$0	\$0	Deferred to 2022
Networking Events	\$0	\$350	\$0	\$0	\$500	\$0	\$500	\$500	\$0	Same as 2020 Budget
TOTAL EXPENSE	\$ 414,214	\$ 675,862	\$ 705,793	\$ 675,816	\$ 883,845	\$ 542,907	\$ 815,781	\$ 866,384	\$ 807,965	
Excess of Revenue over Expenses	\$21,998	(\$200,185)	(\$10,248)	\$60,025	\$25,075	\$120,971	\$69,349	\$18,636	\$77,055	
Unrestricted Net Assets (beginning of year)	\$358,991	\$380,758	\$180,447	\$170,198	\$230,223	\$230,223	\$230,223	\$299,572	\$299,572	
Unrestricted Net Assets (end of year)	\$380,989	\$180,573	\$170,198	\$230,223	\$255,298	\$351,193	\$299,572	\$318,207	\$376,626	

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	2021 Budget	2021 Budget
Minimum 3 months (25%) of Annual Operating Expenses =	\$103,554	\$168,965	\$176,448	\$168,954	\$220,961	\$203,945	\$216,596	\$201,991
Maximum 6 months (50%) of Annual Operating Expenses =	\$207,107	\$337,931	\$352,897	\$337,908	\$441,923	\$407,891	\$433,192	\$403,983
Actual/Forecasted Level of Financial Reserves:	\$380,758	\$180,573	\$170,198	\$230,223	\$255,298	\$299,572	\$318,207	\$376,626
Actual/Forecasted Level of Financial Reserves %:	92%	27%	24%	34%	29%	37%	37%	47%

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 (Up	46,266	1	46,265.94
Initiation Members (Low	23,133	0	0.00
Associate	4,800	11	52,800.00
			908,719.89

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 (Up	46,266	1	46,265.94
Initiation Members (Low	23,133	0	0.00
Associate	4,800	6	28,800.00
			884,719.89

2020 Upper Tier Member

BMO Bank of Montreal
CIBC Insurance
RBC Insurance
ScotiaLife Financial
TD Insurance
Desjardins Financial Security Life Assurance Company
National Bank Life Insurance Company
Manulife Financial
The Canada Life Assurance Company

2020 Lower Tier Member

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

2020 Initiation Members (Upper Tier)

Sun Life Financial

2020 Associate

RSM Canada
Willis Towers Watson
KPMG MSLP
Optima Communications
RGA Life Reinsurance Company of Canada
Torys LLP

*TBC

*TBC

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

Did not renew in 2020

PWC
Munich Reinsurance Company Canada Branch (Life)
RankHigher.ca

2021 Operational Budget - Member Dues Breakdown - No 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	6	28,800.00
			884,719.89

2020 Upper Tier Member

BMO Bank of Montreal
CIBC Insurance
RBC Insurance
ScotiaLife Financial
TD Insurance
Desjardins Financial Security Life Assurance Company
National Bank Life Insurance Company
Manulife Financial
The Canada Life Assurance Company

2020 Lower Tier Member

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

2020 Initiation Members (Upper Tier)

Sun Life Financial

Year 2 of 2

2020 Associate

RSM Canada
Willis Towers Watson
KPMG MSLP
Optima Communications
RGA Life Reinsurance Company of Canada
Torys LLP

Briefing Note

CAFII Board Meeting 29 October 2020—Agenda Item 4(a)(i)

Research & Education Committee – Next Steps in Implementing Board-Approved CAFII 2020 Consumer Research Project With Pollara Strategic Insights, Including Creation Of Working Group To Assist Research & Education Committee in Developing Survey Questions

Purpose of this Agenda Item – Update / Discussion

To update the EOC on the approval by the Board of a CAFII 2020 Consumer Research Project with Pollara, and to provide information on next steps including the creation of a Working group to assist in the development of survey questions with Pollara.

Background Information

On 10 September, 2020, the Research & Education Committee reviewed a proposal from Pollara to conduct research on consumers' adoption of digital means of communicating with CPI providers since the onset of the COVID-19 pandemic. The Committee felt that some adjustments to the proposal would strengthen it, and those were communicated to Pollara which revised the proposal in response.

The revised proposal has two components.

First, data will be collected on consumers' willingness to use digital means to interact with CPI providers since the onset of the pandemic, and those data points will be compared to existing data we collected on how consumers interacted with CPI providers in 2018, to see what shift, if any, has occurred.

Second, consumers who are in the market for a mortgage or HELOC, and who are aware of CPI and are considering obtaining it, will be asked for their views on how they prefer and intend to interact with CPI providers. This second part of the study is to get a sense of future trends around channel preference and digitization.

The Research & Education Committee recommended to the EOC that the project should proceed, and at its 22 September, 2020 meeting, the EOC approved recommending to the Board that the project should be approved. At its 15 October, 2020 meeting, the CAFII Board formally approved the proposal.

CAFII will now create a Working Group to develop the questions to ask consumers in this Pollara study.

Recommendation / Direction Sought – Approval Requested

The EOC is being updated on the consumer research proposal and the next steps.

Attachments Included with this Agenda Item

One attachment.

TO: Keith Martin, CAFII

FROM: Lesli Martin

DATE: September 14, 2020

RE: **Online Procedures for Insurance Products – Research Proposal**

Dear Keith,

On behalf of Pollara Strategic Insights, thank you for the opportunity to again collaborate with CAFII on this important project to examine changes to consumers opinions on dealing with credit protection insurance.

This proposal brief contains a summary of our understanding of the research objective, our recommended approach, scope and costs.

I hope this document meets your immediate needs and I look forward to discussing this with you in more detail.

Sincerely,



Lesli Martin
Vice-President
Pollara Strategic Insights
416-921-0090 x 2207
LesliMartin@Pollara.com

BACKGROUND AND OBJECTIVES

With the outbreak of COVID-19 in Canada, consumers have been required, or have requested, to refrain from conducting many financial transactions in-person, but instead move these procedures to virtual platforms. Past research shows that credit protection insurance (in the form of mortgage or Home Equity Line of Credit (HELOC) protection) purchases tend to be conducted in-person or over the phone, rather than online.

It is my understanding that the Canadian Association for Financial Institutions in Insurance (CAFII) would like to get a better understanding of how the new reality of living within the confines of COVID-19 has and will continue to impact credit protection insurance (CPI), both in terms of purchasing the insurance and filing claims. More specifically, this research will examine the following:

- Satisfaction with past transaction experiences across all channels used (both purchases and claims);
- Concerns regarding face-to-face financial transactions during the current situation and moving forward;
- Willingness to move to online transactions;
- Concerns regarding completing these transactions online;
- Requirements for consumers to feel comfortable with online transactions when it comes to purchasing, changing coverage, or making a claim with credit protection insurance.

In addition, CAFII is interested in understanding if consumers have changed the way they are purchasing CPI, and their satisfaction with their purchase venue.

METHODOLOGY

Online Survey using Panel

In order to understand the differences in experience and satisfaction with purchases and claims in credit protection insurance since the current COVID restrictions as well as exploring the needs of consumers who are considering this type of purchase, we recommend conducting research with Canadians who have either purchased credit protection insurance since the COVID outbreak (March 2020) or who will be considering this type of purchase in the next year or two. As credit protection insurance is primarily purchased when a new mortgage or Home Equity Line of Credit is being negotiated, we recommend talking to consumers who are at least somewhat likely to obtain a new mortgage or HELOC. From there, we will ask consumers if they are aware of credit protection insurance and if they intend to purchase it when getting their new mortgage or HELOC. Only those who are at least somewhat likely to obtain CPI will be included in this survey.

To understand how the purchase of CPI has changed over the past few years, we recommend designing the survey to allow for the basic purchase channel questions to be tracked from research which was done on behalf of CAFII in 2018. Comparing results of this new survey to the previous one will allow us to understand if the incidence of purchasing CPI online has changed over the past two years and if consumers are now more or less satisfied with this process, compared to their satisfaction then. Pollara will work with the CAFII project team to develop a survey that would allow us to track the relevant data points, while obtaining all the new information that is necessary for this new objective set.

We recommend conducting a total of 1,000 interviews, approximately 200 with Canadians who have purchased CPI since March 2020 and approximately 800 with those who are likely to do so in the next year or two.

In preparing this proposal, we conducted an incidence test and found that 3% of Canadians have purchased credit protection insurance since March 2020. Due to this low incidence, we do not recommend a sample higher than 200. However, this sample will provide us with statistically relevant results and will allow for some high end sub-group analysis which will be important to understand consumers' reasons for their behaviours and opinions.

The survey would be approximately 12 minutes (35-40 questions for each respondent type) in length and would consist of primarily closed-ended questions, although up to two open-ended questions could be included, if required.

COST

The cost of conducting the research as described above is as follows:

	Cost	HST	Total Cost
N=1,000 surveys: 200 with people who have purchased CPI since March 2020, 800 with those considering purchasing CPI within the next year or two.	\$49,800	\$6,474	\$56,274

These costs includes all aspects of this research study, including project management and client meetings, survey design, programming, testing, fielding of a 12 minute survey with up to two open-ended questions, data analysis, final report, and up to four presentations.

Keith, I hope this document meets your current needs. If you have any questions, or if you would like to discuss in more detail, please do not hesitate to contact me.

Briefing Note

CAFII EOC Meeting 29 October 2020—Agenda Item 4(b)(i)

CAFII Motion Graphic Website Video on Credit Protection Critical Illness Insurance and Disability Insurance; and New Website Vignettes and FAQs on CAFII Member Products

Purpose of this Agenda Item – *Update*

This is an update on enhancements to CAFII's website.

Background Information

CAFII has been working with its website consultant Operatic Agency (formerly RankHigher) on its 2020 website enhancement plan.

CAFII has significantly advanced two key elements of its 2020 plan for enhancements to its website. A motion graphic video is being produced—motion graphic uses more animation than our previous videos and we are entering into the development of the visuals, with the storyboard text having been approved by the EOC.

Three new FAQs have been developed, and six FAQs now also have vignettes. A vignette is a short story about a person or family that allows for a more personal way to explain a member product or service. These enhancements are now live on our website. An example of a vignette is below.



Ron is buying a home, and will need a mortgage to help pay for the purchase. So he applies for a mortgage at his financial institution.

As part of the application process, Ron is offered optional mortgage life insurance, a form of credit protection available for his mortgage. Ron is aware that the mortgage will likely be the largest debt that he and his family will ever have, and he's worried about whether his spouse and children would be able to continue paying off the mortgage and remain in the family home if he were to pass away.

So Ron applies for mortgage life insurance and is approved. This gives Ron the comfort of knowing that should he die, his mortgage balance would be paid off to the maximum specified in the certificate of insurance, and his family would be in a better financial position and able to continue living in their home.

Recommendation / Direction Sought – *Update*

This is an update only.

Attachments Included with this Agenda Item

No attachments.

Briefing Note

CAFII EOC Meeting 29 October 2020—Agenda Item 4(b)(ii)

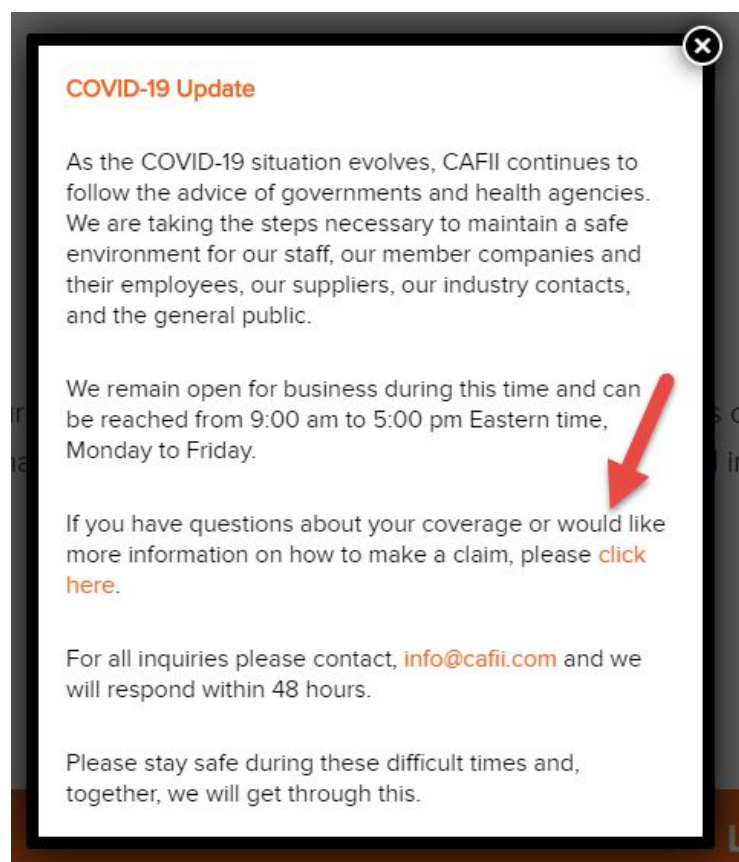
CAFII Website Enhancement to Effect Board Request Re Facilitating Consumers' Filing of Credit Protection Insurance and Travel Insurance Claims with CAFII Members

Purpose of this Agenda Item – Update

This is an update on enhancements to CAFII's website.

Background Information

CAFII has been working with its website consultant Operatic Agency (formerly RankHigher) on a new "claims page" that links to the claims sections of CAFII's members. A link will be displayed in the CAFII COVID-19 pop-up box, for the duration of the pandemic (see below).


















The new page will be permanently displayed in the CAFII tab on “Tools and Resources.” This will provide easy access to our members’ claims sections for consumers seeking claims information, and demonstrates the transparency and openness of our members to regulators and to the public. This change is now live (see example below).

How To Make A Claim

Making A Claim

The credit protection insurance and travel insurance products offered by our members protect you and your family under various circumstances described in your certificate of insurance. If you have questions about your coverage, or would like more information on how to make a claim, please click on the name of the financial institution from which you purchased your insurance, and it will take you to the relevant section of the company's website.

Company	Links
	https://cardbenefits.assurant.com/Creditor_Home
	https://www.bmo.com/main/personal/creditor-insurance/
	https://www.canadelife.com/insurance/creditor-insurance.html
	https://canadianpremier.ca/claims/
	Creditor Insurance https://www.cibc.com/en/personal-banking/insurance/creditor.html Optional Travel Insurance https://www.cibc.com/en/personal-banking/insurance/travel/claims.html Embedded Credit Card Travel Insurance https://cibccentre.rsagroup.ca/
	https://www.cooperators.ca/en/Claims.aspx
	https://www.cumis.com/en/claims/Pages/credit-mortgage.aspx
	For getting the forms and documents needed and information on how to submit a claim claim.desjardinslifeinsurance.com/ Secure link to send most of the documents needed for the claim to be analysed www.desjardinslifeinsurance.com/send
	https://manulife.acmtravel.ca/accounts/login/
	Claims on National Bank Life Insurance Company https://www.nbc-insurance.ca/claims.html Claims on National Bank of Canada https://www.nbc.ca/personal/insurance/claim.html
	Travel Insurance https://www.rbcinsurance.com/personal-insurance/claims-service.html?view=travel#claims-travel-claim

	<p>Residential Mortgage Insurance https://www.rbcroyalbank.com/mortgages/homeprotector-mortgage-insurance.html</p> <p>Loan Protector Insurance https://www.rbcroyalbank.com/personal-loans/loanprotector-insurance.html</p> <p>Credit Card Protection Insurance https://www.rbcroyalbank.com/credit-cards/cardholders/value-added-services.html</p> <p>Business Credit Protection https://www.rbcroyalbank.com/business/loans/business-loan-insurance.html</p> <p>Travel Insurance https://www.rbcroyalbank.com/travel-insurance/claims-service.html#make-travel-claim</p>
	<p>Creditor Insurance Protection claims including Mortgage, Line of Credit and Credit Cards https://www.scotiabank.com/ca/en/personal/creditor-insurance/make-a-claim0.html</p> <p>Travel Insurance claims https://www.scotielifinancial.com/en/homenew/claims/travel-insurance.html</p>
	<p>https://www.sunlife.ca/en/explore-products/insurance/affinity-markets/creditor/</p>
	<p>Credit Protection and Travel Insurance claims https://www.tdinsurance.com/claims</p> <p>Balance Protection Insurance claims https://cardbenefits.assurant.com/Creditor_Home</p>

Recommendation / Direction Sought – *Update*

This is an update only.

Attachments Included with this Agenda Item

No attachments.

Briefing Note

CAFII EOC Meeting 29 October 2020—Agenda Item 4(c)(i) Insights Gained From October 26/20 AMF Background/Launch Webinar For CAFII On Two Current Industry Consultations

Purpose of this Agenda Item – *Update*

This is an update on two regulatory initiatives by the AMF.

Background Information

CAFII learned recently that the AMF was giving background and context-setting introductory presentations to industry stakeholders on two consultations that it currently has underway; and we asked to be included in those presentations. The AMF agreed and on 26 October, 2020 a webinar presentation will be made to CAFII by AMF staff executives Julien Reid; Francois Vaillancourt; and Mélissa Perrault.

The two currently underway AMF consultations are on (i) updating its Sound Commercial Practices Guideline, which dates from 2013; and (ii) a new Regulation on Complaints Handling.

This agenda item is to summarize verbally what CAFII learned at the webinar on 26 October, 2020.

Recommendation / Direction Sought – *Update*

This is an update only.

Attachments Included with this Agenda Item

One attachment.

FAIR TREATMENT OF CUSTOMERS:
DIRECTIONS FOR PROPOSED FRAMEWORKS –
SOUND COMMERCIAL PRACTICES
GUIDELINE AND
DRAFT REGULATION RESPECTING COMPLAINT PROCESSING

Proposed Frameworks

- 1. Updated Sound Commercial Practices Guideline**
2. Draft Regulation respecting complaint processing and dispute resolution
3. Next steps



1. Updated Guideline

- 1.1. Key messages**
- 1.2. Background**
- 1.3. Underlying philosophy**
- 1.4. Main changes**

1.1. KEY MESSAGES

Financial institutions have a legal obligation to adhere to sound commercial practices

Commercial practices mean financial institutions' behaviour in their relationships with customers

1.1. KEY MESSAGES

Fair Treatment of Customers (FTC):

- Is based on international core principles
- Manifests itself at every stage of a product's life cycle, from product design to after-sales service

1.1. KEY MESSAGES

The Guideline sets out:

- Expected FTC outcomes for financial institutions
- Measures financial institutions can take to achieve the outcomes and meet their legal obligation to adhere to sound commercial practices

1.2. BACKGROUND

Ensure compliance with international core principles (International Association of Insurance Supervisors, ICP 19, updated in 2017)

Reflect the work done across Canada

- Insurance industry – CCIR guidance (2018)
- Banking sector – Changes to consumer protection framework (2017 - 2020)

1.2. BACKGROUND

Take into account:

- Bill 141
- Updates to certain AMF guidelines
- Draft Regulation respecting complaint processing and dispute resolution
- New personal information protection provisions

1.3. UNDERLYING PHILOSOPHY

Emphasize how important it is for institutions' decision-making bodies to firmly commit to and exercise strong leadership in making FTC a core component of their governance and business culture

1.4. MAIN CHANGES

Going forward, financial institutions are expected to have agreements in place with market intermediaries to ensure FTC

1.4. MAIN CHANGES (CONT.)

The topic of incentive management leads into the topic of conflict of interest management

- The proposed expectations take into account the customer-mutual fund registrant relationship reforms

1.4. MAIN CHANGES (CONT.)

Product design and product marketing are dealt with separately, in different sections, to promote a better understanding of the AMF's expectations

1.4. MAIN CHANGES (CONT.)

- Introduction of a new expected outcome for deposit institutions:
 - The AMF expects the customer's needs and situation to be taken into account when offering a product

Proposed Frameworks

1. Updated Sound Commercial Practices Guideline
- 2. Draft Regulation respecting complaint processing and dispute resolution**
3. Next steps



2. Draft Regulation respecting complaint processing and dispute resolution

2.1. Background

2.2. Directions

2.1. BACKGROUND

Bill 141: New complaint processing provisions

Provisions practically identical in the 7 sector-based laws concerned:

- Treat complaints fairly
- Adopt a complaint processing policy
- Make a summary of the policy publicly available on the institution's website
- Keep a register
- Deliver an “acknowledgement of receipt” to the complainant stating the complainant's right to have the complaint examined by the AMF

2.1. BACKGROUND (CONT.)

The proposed framework covers registrants' complaint processes, not the AMF's internal mechanisms

2.1. BACKGROUND (CONT.)

The AMF wishes to leverage its role as an integrated regulator to propose a harmonized, FTC-based framework applicable to all sectors (various frameworks)

The AMF's objective is twofold:

- Facilitate the application of new legislative provisions for financial sector participants
- Improve customers' complaint experience

2.1. BACKGROUND (CONT.)

The AMF's thought process:

- Draws on practices that are working well for the industry in Québec
- Is aimed at eliminating certain practices that the AMF wants to see an end to
- Has been tested with its advisory committees and specific stakeholders

2.1. BACKGROUND (CONT.)

The content being considered for a framework:

- Is consistent with international core principles, including ICP 19
- Aligns with national principles, such as CCIR Guidance
- Compares favourably with what is being done elsewhere in the world

2.1. BACKGROUND (CONT.)

The content being considered for a framework is intended to ensure that:

- Complaints are dealt with in an objective and impartial manner
- Recurring weaknesses and issues are addressed
- Institutions are proactive in analyzing how other customers are impacted by the facts relating to the complaint

2.2. DIRECTIONS HARMONIZED FRAMEWORK

Comparable obligations across all sectors but set out in various instruments

Implementation by the financial institution or intermediary of a process that takes into account the nature, scope, size and complexity of its operations

2.2. DIRECTIONS

DEFINITION OF A COMPLAINT

Definition of a complaint:

- Initial obligation trigger event
- Must be sufficiently broad to prevent circumvention of the regime

The industry is asking for a clear definition

Transparency is critical for consumers

2.2. DIRECTIONS FUNCTIONS AND RESOURCES

Designation of a “complaints officer” function and a “complaint examination staff” function

Competence, independence and accountability of complaint examination functions

2.2. DIRECTIONS TIME LIMITS

60-day complaint examination period = strict time limit

15-day limit for transferring a complaint file to the AMF
at the request of the complainant

2.2. DIRECTIONS PROHIBITIONS AND PENALTIES

Conditions and restrictions may not be attached to a settlement offer

Confusing terms (e.g., Ombudsman) may not be used

Administrative penalties added

2.2. DIRECTIONS

ADDITIONAL CLARIFICATION

Clarification regarding:

- Fair treatment and analysis of complaints
- Contents of a complaint file
- Contents of a final decision
- Contents of the complaint processing policy summary made publicly available
- Time limit for registering complaints in the register
- Contents of the complaints register
- Contents of the notice of the complaint's registration in the register
- Length of time complaint records must be kept



Proposed Frameworks

1. Updated Sound Commercial Practices Guideline
2. Draft Regulation respecting complaint processing and dispute resolution
3. **Next steps**

3. NEXT STEPS

GUIDELINE AND DRAFT REGULATION

September – October 2020: Meetings with stakeholders

Coming months: Publication in the AMF Bulletin of the updated Sound Commercial Practices Guideline and the Draft Regulation for a 60-day comment period



**AUTORITÉ
DES MARCHÉS
FINANCIERS**

QUESTIONS?

Briefing Note

CAFII EOC Meeting 29 October 2020—Agenda Item 4(c)(ii) Development of CAFII Response Submission On AMF’s Updating of “Sound Commercial Practices Guideline”

Purpose of this Agenda Item – Update

This is an update on a current AMF regulatory consultation.

Background Information

The AMF is currently engaged in a stakeholder consultation on updating its Sound Commercial Practices Guideline, which dates from 2013. This is an item to discuss CAFII’s approach to its intended submission on the proposed changes to this Guideline.

Recommendation / Direction Sought – Update

This is an update only.

Attachments Included with this Agenda Item

No attachments.

Briefing Note

CAFII EOC Meeting 29 October 2020—Agenda Item 4(c)(iii) Development of CAFII Response Submission On AMF's New "Regulation On Complaints"

Purpose of this Agenda Item – Update

This is an update on a currently underway AMF consultation.

Background Information

The AMF is currently engaged in a stakeholder consultation on a newly developed Regulation on Complaints Handling. This agenda item is to discuss CAFII's approach to its intended submission on the draft version of this new Regulation.

Recommendation / Direction Sought – Update

This is an update only.

Attachments Included with this Agenda Item

No attachments.

Briefing Note

CAFII EOC Meeting 29 October 2020—Agenda Item 4(c)(iv) Development of CAFII Response Submission On FSRA’s Unfair or Deceptive Acts or Practices (UDAP) Rule

Purpose of this Agenda Item – Update

This is an update on a current FSRA regulatory consultation.

Background Information

On 29 September, 2020 FSRA held a meeting of the Life & Health Insurance Stakeholder Advisory Committee (SAC), which CAFII Co-Executive Director Keith Martin sits on, to discuss its intention to transform its current Unfair or Deceptive Acts or Practices (UDAP) into a FSRA rule.

Stuart Wilkinson is leading this initiative at FSRA, and subsequent to the meeting he asked for SAC members to answer some questions. The questions he asked and the answers provided by CAFII are below. This was part of a “pre-consultation” discussion through the SAC, but a formal consultation will take place, and CAFII intends to make a submission when that consultation is launched.

STUART WILKINSON QUESTIONS AND CAFII’S ANSWERS

- *General Approach*
 - *Is FSRA’s work on UDAP rule-making on the right track? Are you comfortable with the “staged” approach, including the scope and timelines associated with Stage One?*
- *Incentives (i.e. Rebates and Inducements)*
 - *Would the standards for incentives that are outlined in Appendix 1 (slide 14 – row marked “rebating”) adequately address the risk of consumer harm related to carriers offering incentives? Are there other standards that should be included?*

FSRA continues to demonstrate a highly collaborative and consultative approach that CAFII believes will produce more effective regulations. The staged approach allows for FSRA to learn from its first stage implementation before finalizing the rule, which is a prudent and wise approach to such a complex change.

By recognizing that there are circumstances where a rebate or an inducement may be aligned with the customer’s interests and, as such, not prohibiting all such activity -- but rather subjecting it to conditions and transparency -- FSRA is striking an appropriate balance between protecting consumers and promoting innovation in the marketplace.

- *Do you think the Agents regulation under the Insurance Act, (O. Reg 347/04 – see s. 17), adequately addresses the risk of consumer harm related to advisor conduct that you discussed, in particular risks related to incentives?*

No comment

- **CCIR / CISRO Alignment**
 - *Do you support changes to, where possible, align provisions with CCIR / CISRO Fair Treatment of Customers guidance as part of principles-based redrafting of UDAP?*

CAFII strongly supports any effort to align relevant provincial/territorial Regulations and Rules, such as Ontario's UDAP provisions, with the CCIR/CISRO's "Guidance: Conduct of Insurance Business and Fair Treatment of Customers." Even small differences in language between different Regulations/Rules and regulatory guidance documents cause the industry to have to shift some resources and energy from protecting consumers, and ensuring their fair treatment, to version control between the different regulatory documents; and to internally-focused efforts, as opposed to customer-centric efforts.

- **Other**
 - *Are there specific aspects of, or gaps in, the current UDAP regulation that we should consider, either in our Stage One work or a future phase?*
 - *Are there implementation considerations for a new FSRA UDAP Rule (e.g. required changes to industry-developed guidance) for the L&H industry that FSRA should be aware of?*

At this time, it is not clear how the new Rule will be enforced, and specifically what are the AMPs/fines or other tools that FSRA will use as sanctions against non-compliance. Further, it is not clear what appeal options will exist for a company found to be non-compliant with the Rule, and also what will be the process for bringing a violating company into compliance, e.g. whether the first step in addressing a first instance of non-compliance will be a warning.

Recommendation / Direction Sought – Update

This is an update only.

Attachments Included with this Agenda Item

No attachments.

Briefing Note

CAFII EOC Meeting 29 October 2020—Agenda Item 4(c)(v) Development of CAFII Response Submission On FSRA's Fiscal Year 2021-22 Proposed Statement of Priorities and Budget

Purpose of this Agenda Item – Update

This is an update on a regulatory consultation by FSRA.

Background Information

FSRA has begun a consultation on its Fiscal Year 2021-22 Proposed Statement of Priorities. CAFII intends to make a submission.

Following is the communication from FSRA:

This message is sent on behalf of Mark White, Chief Executive Officer of FSRA

Dear Stakeholder Advisory Committee (SAC) Member:

I am pleased to confirm that the public consultation for the proposed FY2021-2022 Statement of Priorities (SOP) and Budget is now live.

Similar to the materials shared ahead of your SAC meeting, the SOP is intended to outline FSRA's strategic focus and/or signify new initiatives that improve regulatory efficiency and effectiveness to better serve the public interest. The document contains the proposed 2021-22 FSRA Budget, which reflects FSRA's proposed expenses, strategic investments and sources of funding, to achieve its mandate and stated priorities. The proposed priorities and budget will be components of the Annual Business Plan.

The consultation period will close on November 3, 2020. Please see the links below for more information.

Statement of Priorities:

EN - <https://www.fsrao.ca/media/2326/download>

FR - <https://www.fsrao.ca/fr/participation-et-consultation/ebauche-denonce-des-priorites-de-larsf-pour-2020-2021>

To provide comments and/or feedback on FSRA's proposed Statement of Priorities and Budget, please submit using the **Consultation Page** by Tuesday November 3rd:

EN - <https://www.fsrao.ca/engagement-and-consultations/fsra-proposed-2021-22-statement-priorities>

FR - <https://www.fsrao.ca/fr/participation-et-consultation/ebauche-denonce-des-priorites-de-larsf-pour-2020-2021>

If the links above appear to be broken, please advise Margaret Kingerski (Margaret.kingerski@fsrao.ca).

Mark White
CEO

Recommendation / Direction Sought – Update

This is an update only.

Attachments Included with this Agenda Item

One attachment.



Financial Services Regulatory
Authority of Ontario

FY2021-2022

PROPOSED STATEMENT OF PRIORITIES

OCTOBER 7, 2020

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Overview

The Financial Services Regulatory Authority of Ontario (FSRA) is pleased to present its proposed FY2021-2022 priorities and corresponding budget. This view for the upcoming fiscal year is intended to generate feedback from stakeholders through a public consultation.

FSRA is an independent regulatory agency, created to improve consumer and pension plan beneficiary protections in Ontario. The agency was established to replace the Financial Services Commission of Ontario (FSCO) and the Deposit Insurance Corporation of Ontario (DICO). FSRA protects Ontario consumers by regulating:

- property and casualty insurance;
- life and health insurance;
- credit unions and caisses populaires;
- loan and trust companies;
- mortgage brokers;
- health services providers (related to auto insurance);
- pension plan administrators; and
- financial planners and advisors (proposed).

The proposed FY2021-2022 priorities drive towards the common goal of regulatory efficiency (e.g. burden reduction) and effectiveness. The cross-sectoral priorities flowing from that focus on:

- Protecting the public interest.
- Enabling innovation.
- Modernizing systems and processes.
- Transitioning to a principle-based regulatory approach.

Each of the priorities for FSRA's regulated sectors focus on improving supervision capability, enhancing/implementing regulatory framework components, or gaining a better understanding of the consumers.

The Credit Union, Life and Health Insurance and Mortgage Broker sector's priorities focus on enhanced understanding and conduct regulation intended to improve sector stability and maintain public trust.

The Property and Casualty (Auto) sector priorities aims to enhance consumer choice, increase transparency, promote innovation and foster a competitive and stable auto insurance marketplace.

FSRA will continue to enhance its prudential oversight of both the Credit Union and Pension sectors. Pension oversight will evolve its predictive analysis and capabilities with respect to the Pension Benefit

Guarantee Fund (PBGF) eligible pension plans to improve outcomes for pension plan members.

Title protection framework for Financial Planners/ Financial Advisors will promote confidence and professionalism in the sector and reduce confusion for investors and consumers.

FSRA will also continue to promote a national dialogue on a harmonized approach to regulatory issues in the areas it regulates, and to this end, FSRA is participating as a member in several forums.

In all sectors, modernizing systems, processes and infrastructure should increase regulatory effectiveness and efficiency. As FSRA evolves, it will shift activities and oversight from the traditional, primarily prescriptive method to a principles-based approach to regulation. Financial services are changing rapidly, as are the opportunities to enable innovation and encourage new entrants to the market. Given that, we need to move away from "one-size-fits-all" solutions. Further research will identify market and consumer vulnerability within the marketplace. FSRA will continue to build its engagement with stakeholders, the public, consumers, credit union members, pension plan beneficiaries and investors.

FSRA proposes a \$104.1 million budget for FY2021-2022 costs to achieve its mandate and stated priorities. The \$4.7 million increase is due to key investments in regulatory enhancements and increased conduct supervision, regulatory effectiveness, digital transformation and facilities. These investments are partially funded by internal cost efficiencies.

FSRA proposes total sector revenues increase by 1.3% or \$1.3 million over the FY2020-2021 budget. Fee assessments in variable fee sectors will increase by 2%. These increases reflect the credit back to the sectors of \$3.4 million of FY2019-2020 excess revenues over costs.

Consultation with the public, regulated sectors and other stakeholders begins on October 7, 2020 and ends on October 28, 2020. Once the feedback has been gathered, the proposed priorities and budget will be key components of FSRA's Annual Business Plan (ABP). FSRA's ABP will go to the Ministry of Finance for review by December 31, 2020.

To inform its work and progress, FSRA looks forward to hearing comments on the proposed priorities and budget from the regulated sectors, consumers and other stakeholders.

Environmental Scan

FSRA operates in a dynamic market. In the current environment, which has been challenging for all stakeholders, FSRA has continued to focus on providing relief to regulated sectors while maintaining the public interest.

Given COVID-19, operational and strategic plans have required significant changes. Yet FSRA has continued to deliver safety, fairness and choice to all sectors. The focus remains on ensuring that both consumers and providers of financial services and pensions can carry on the bulk of their pre-COVID-19 activities.

Other trends include, but are not limited to, the following:

- Modernization and technological advancements continue to drive increased expectations from the consumer. These factors determine the need to update and often replace outdated internal systems and to launch inclusive products and solutions that meet consumer requirements.
- Global fintech innovation and technological advancements permit new and existing players, and new delivery models. That raises the ability to offer more to the consumer.
- There's an ongoing imperative to drive down costs to the sector; while freeing the regulated sector participants from burdensome and often unnecessary regulatory activities
- Diversity and inclusion in the workplace are increasingly acknowledged as a critical element of talent management, engaging employees and enhancing their experience.
- Understanding the impact of climate risk on the financial services sector.
- An enhanced approach to protecting the public interest, to enhance the focus on the consumer, has been core to all of FSRA's activities.

COVID-19 Impact

The World Health Organization declared the COVID-19 outbreak as a pandemic on March 11, 2020, and global markets ground to a temporary halt. While recovery efforts continue, we are still operating in a pandemic disruption and do not have a set time frame for recovery.

FSRA is working with all sector stakeholders to manage the unknown and is continuing to drive the stated priorities forward. Recent experience demonstrates FSRA's ability to adapt to this volatile environment and to continue to deliver internally on established plans. Still, future COVID-19-related challenges may impede progress of cross-sector priorities.

As a result of COVID-19, the following sector-specific trends have also been noted and, where possible, addressed by FSRA:

- Pension plan sponsors expressed additional liquidity challenges, to which the government provided relief from certain filing deadlines. The government also provided employers with

the option to defer contributions to certain defined benefit (DB) pension plans. This was done to help with their businesses' cash flow during COVID-19, while providing safeguards for funding member benefits.

- Plan funding levels were affected by a drop in global equity market indices in March 2020. However, capital markets rallied in Q2. That resulted in the median projected solvency ratio increasing to 90% by June 30, 2020, up from 85% at the end of March. To respond to this, FSRA refreshed its guidance on Limitations on Commuted Value Transfers and Annuity Purchases for DB pension plans. FSRA recognizes that administrators and other plan fiduciaries are responsible for prudently managing risks in their pension plans, ensuring the long-term financial sustainability of those plans, and making decisions by taking into account the interests of plan beneficiaries.
- As a prudential regulator, FSRA assesses pension plan risks and the sustainability of a pension plan in relation to the financial stability

of the plan sponsor. This is a prudent and necessary step towards ensuring the long-term viability of Ontario's retirement ecosystem, including the Pension Benefits Guarantee Fund.

- Economic impacts to credit unions have also been closely monitored from a prudential perspective. This monitoring included the adverse cash flow experience associated with the permitted deferral of certain loan payments for up to six months. The health of the organizations affects the products and service guarantees of the consumers, who are also affected as members and depositors.
- After a considerable decrease in traditional distribution channels, COVID-19 has also accelerated industry progress in digitizing the distribution of insurance products.

Technological Advancement and Innovation

While challenges persist, the nature of the evolving financial services and pension sectors continues to drive positive outcomes. Technological innovation and market pressures are:

- changing consumer expectations;
- driving new products;
- prompting mergers among participants; and
- changing operating expenses for new non-traditional entrants.

This has introduced new business models to the sectors and improved existing business models.

The use of technology to interface with clients provides new opportunities to close information gaps. FSRA will continue to monitor these technological developments to ensure that financial institutions are meeting expectations regarding business conduct and fair treatment of customers.

The mortgage and real estate sectors have been using innovative methods to help complete real estate transactions during this time. Credit unions are also actively seeking opportunities to innovate and implement new technologies. These technologies are being used to complete tasks that are traditionally done in person, such as digital transfer of documentation and virtual home appraisals. The goals are to enhance the service experience for members, increase the level of

product offerings, decrease costs and ultimately grow businesses.

Cybersecurity breaches in the financial services sector have highlighted the need for financial regulators to have appropriate measures to maintain the privacy and security of their members. That aspect is also very important as consumers and insurers show a greater acceptance for virtual healthcare.

FSRA's newly formed Innovation Office is working with stakeholders in the innovation ecosystem to analyze changes in underlying technologies, market practices and consumer preferences. This Office is also working to foster controlled innovation testing environments and encourage "responsible innovation" that puts consumers at the forefront.

Consumer Expectation and Needs

Well-functioning financial services markets promote financial stability, growth, efficiency and innovation over the long term. Appropriate consumer protections build public confidence and trust.

In such markets, consumers:

- have access to the products and services, and the information they need to make the best decisions for them;
- are treated equitably;
- are not exposed to deceptive or unfair practices; and
- have their needs taken into account, including vulnerable consumers.

FSRA continues to see rapid changes in how financial services and pension plans are being offered and delivered. This increases the need for regulators to quickly understand the emerging trends, consumer needs and potential vulnerabilities, and to protect the public interest by using the most effective tools and powers.

While there is ongoing consumer expectation for increased choice and value for money, needs vary across the range of financial services sectors. Consumers will also have different needs due to personal circumstances, their financial capability, or the product or service which they are obtaining or the intermediary with which they are interacting.

FSRA is committed to using consumer research and engagement to support regulatory effectiveness and efficiency. This year, FSRA established a new Consumer Office. It undertakes research, sets the strategy for consumer engagement and provides secretariat support to the FSRA Consumer Advisory Panel.

Together, the Consumer Advisory Panel and the Consumer Office, are key to improving opportunities for consumer voices to shape FSRA's work.

Market Changes and Economic Intelligence

The increased availability of data and analysis tools has allowed for closer monitoring of economic impacts on sectors and their consumers. Such economic intelligence empowers prudential oversight and provides the opportunity to react to emerging situations and prepare appropriate responses.

The complexity of insurance distribution has increased, with overlapping organizations supporting multiple brands and channels, including the digital channel. Many insurers have set up a wide range of multi-channel distribution systems to improve customer interaction and experience. To further this, FSRA plans to achieve a more comprehensive understanding about modern distribution channels.

Within the mortgage sector, there has been an increase in the use of non-bank financial intermediaries (NBFIs), such as Mortgage Investment Corporations and private lenders, as these lenders do not need to meet the federal mortgage underwriting guidelines. The use of NBFIs may continue to increase if consumers find it difficult to make mortgage payments once temporary, pandemic-related government programs (such as the Canada Emergency Response Benefit and mortgage deferral programs) end, and if federally regulated financial institutions keep tightening their underwriting criteria. There are concerns that borrowers and investors are not being informed about the risks and features of private mortgages. This disclosure is necessary to ensure products are suitable for borrowers and investors, and to address potential conflicts of interest.

Regulation of the sale of certain non-qualified syndicated mortgage investments is being transferred to the OSC. This may lead to changes in how mortgage-based investments are structured and sold. Overall, the economic and environmental impacts on the financial services and pension sectors have been significant and will continue to be a challenge for the foreseeable future. FSRA will continue to monitor the situation and seek to drive positive results for all stakeholders.

FSRA Proposed Statement of Priorities

FSRA continues to focus on regulatory efficiency (including burden reduction) and regulatory effectiveness through cross-sector and sector-specific priorities. FSRA's proposed priorities will continue to deliver a positive impact by improving:

- stakeholders' regulatory experience; and
- safety, fairness and choice for consumers of financial services, and members pensions in Ontario.

These priorities signify a new approach, process and/or initiative, ones that have not been part of normal operating procedures in the past. Once they are part regular business practices, they no longer need to be a stated priority, but are simply ingrained.

Cross-Sectoral Priorities		
Regulatory Efficiency and Effectiveness		
1. Protect the Public Interest	2. Enable Innovation	3. Modernize Systems and Processes
		4. Transition to Principles-Based Regulation (PBR)
Sector-Specific: Targeted High-Impact Priorities		
Property & Casualty (Auto) Insurance	Credit Unions	Life & Health Insurance
5.1 Empower and protect P&C and auto insurance consumers	6.1 Support modernization of credit union framework	7.1 Enhance market conduct oversight to protect consumers
5.2 Support and implement government's auto insurance priorities	6.2 Enhance Deposit Insurance Reserve Fund Adequacy Framework and Sector Liquidity Framework	
5.3 Implement auto insurance data and analytics strategy	6.3 Continue to design and develop the Integrated Risk-Based Supervisory Framework	
Mortgage Brokering	Pensions	Financial Planners & Advisors
8.1 Support government policy direction on the Mortgage Brokerages, Lenders and Administrators Act, 2006 (MBLAA)	9.1 Support plan flexibility, evolution and principles-based applications within the existing regulatory and legislative regime	10.1 Implement the title protection framework for Financial Planners and Financial Advisors
	9.2 Develop and consult on prudential supervision framework	
	9.3 Refocus pension regulation to improve regulatory efficiency and effectiveness	

Regulatory Efficiency and Effectiveness

1. Protect the Public Interest

The financial services sector continues to undergo significant changes, which heightens the need for regulators to understand and protect the public interest. Consumer protection leads to public confidence and trust in well-functioning financial services markets. That promotes financial stability, growth, efficiency and innovation.

To ensure effective and proportionate financial consumer protection efforts, it is important that all stakeholders, including consumers, participate in the policy-making process.

In January 2020, FSRA established a Consumer Advisory Panel. It complements the newly established Consumer Office, which is dedicated to ensuring that consumer perspectives are understood and considered within FSRA.

FSRA has also convened a new Residents' Reference Panel on Auto Insurance. It will make recommendations on automobile insurance regulation in Ontario.

FSRA's Consumer Office has completed preliminary work on consumer mapping, to develop a baseline understanding of consumers and identify potential consumer vulnerability in the regulated sectors.

In addition, the Consumer Office has supported FSRA to access new insights through research on consumer perspectives, expectations and understanding of auto insurance and financial advice professionals.

As a consumer-centred regulator, FSRA will continue to use consumer insights and consultation with stakeholders to further strengthen regulatory approaches.

Effective complaints mechanisms are a significant part of robust regulatory regimes. FSRA is looking at ways to strengthen how complaints are handled in the regulated sectors. The G20/OECD Task Force on Financial Consumer Protection highlights the importance of mechanisms that are accessible, affordable, independent, fair, accountable, timely and efficient.

In addition, information disclosure to consumers is also believed to contribute not only to more

effective consumer protection but also to increased transparency and trust and is therefore good for both consumers and firms. Where possible, consumer research should be conducted to help determine and improve the effectiveness of consumer disclosure.

To complement regulatory efforts, consumer education and awareness should be promoted by FSRA, industry and other stakeholders. Consumers should find clear and easily accessible information, through multiple channels, on their protection, rights and responsibilities.

Many jurisdictions also have specific approaches related to financial education and awareness for vulnerable groups of financial consumers.

Enhanced outcomes for consumers are supported by regulatory collaboration. FSRA already works with regulators across Canada. In addition, the new Consumer Office will support FSRA in engaging FinCoNet, an umbrella group for consumer financial protection authorities in 25 countries. FinCoNet's mandate is to promote sound market conduct and strong consumer protection, contributing to stability in financial services sectors around the world.

Key Deliverables:

- Develop and publish a FSRA complaints framework and implementation plan for regulated sectors.
- Develop a FSRA strategy for consumer disclosures and pilot disclosure improvements.
- Develop and publish a framework for consumer education and pilot education tools/strategies.
- Strengthen cross-jurisdiction regulatory collaboration around consumer protection issues.

Outcomes:

- Greater confidence among consumers in the regulated sectors and the choices available to consumers.
- Increased understanding of people's rights and responsibilities as consumers, members and beneficiaries of FSRA's regulated sectors,

including the appropriate mechanisms available if they have a complaint.

- More consumers, members and beneficiaries have the information and confidence required to make informed choices.
- More consumers, including those in positions of vulnerability, are appropriately protected from financial harm (e.g. the mis-selling of products) across FSRA's regulated sectors.
- More consumers, including those in positions of vulnerability, have access to high-quality financial services and products across FSRA's regulated sectors.
- A fair, timely and effective dispute resolution system will efficiently address complaints across FSRA's regulated sectors.

2. Enable Innovation

Innovation moves quickly. As a regulator, FSRA needs to be agile in order to support and adjust to the change that comes with it.

FSRA needs to be at the table to influence the innovation process. The Innovation Office has a mission is to enable and support innovation across the sectors. It also aims to foster responsible innovation by driving greater choice and value for consumers, while still managing risk and uncertainty accordingly. The goals are better outcomes for sectors and customers.

The Innovation Office will lead with putting the consumer first, ensuring FSRA continues to deliver on its mandate to protect the public interest, and safeguard public confidence and trust in financial services in Ontario.

In FY2020-2021, the Innovation Office has committed to the following initiatives:

- Develop an inclusive innovation framework (including the vision, strategy and operating model).
- Develop a proactive innovation engagement and outreach strategy.
- Build a two-way communication channel with stakeholders, and harness the knowledge and insight gained to support forward-looking regulatory practices.

- Build an active presence with stakeholders and supporting the provision of proactive and forward-looking regulatory clarity.
- Review the discretionary powers needed (in addition to the rule-making authorities under the current legislative framework) to enable regulatory solutions that respond to the pace of change in the sectors FSRA regulates.

Key Deliverables:

- Execute and continue to refine the Innovation Framework
- Establish communication channels between the Innovation Office the industry, innovation centers and regulatory counterparts, and build presence with the industry and relevant organizations
- Identify cross-jurisdictional regulatory coordination and harmonization opportunities.
- Create financial innovation testing environments and develop a range of tools to facilitate the operation of these environments within prioritized sectors.

Outcomes:

- Minimized friction, reduced regulatory uncertainty and barriers for new entrants.
- Accelerated introduction of new business models, technologies, products and benefits to consumers.
- Fewer pitfalls of innovation, through a controlled testing environment and the agile regulatory approach.
- Deeper tech expertise and understanding of consumer and social trends, and new models to be able to advise on effective regulation of the future.
- Active presence, collaboration and open channels for constructive communication with the industry.

3. Modernize Systems and Processes

FSRA has implemented a modern enterprise resource planning system, telephony system and productivity suite, as well as considerable improvements in online tools and website functionality. Efforts to simplify operations and

make them more efficient also include the digitization of paper-based documents, and the automation of data upload and validation in several online processes.

These efforts have yielded considerable improvements in FSRA operations. However, there is an ongoing need to address core regulatory operations and the continued reliance on several outdated, inefficient, costly and, in some cases, end-of-life systems. These are unable to support effective and flexible regulation.

FSRA will continue to modernize its Information Management/Information Technology (IM/IT) systems, and the processes they support, by developing and following a multi-year transformation roadmap.

The roadmap incorporates both sector-specific business priorities and enterprise technology requirements. It also creates a flexible and adaptable business-operating model, supported by streamlined operational processes.

These workflow and system improvements will be key to delivering on the regulatory efficiency priority through:

- optimized and streamlined data and filing collection;
- improved service levels; and
- enhanced ability for FSRA to respond quickly to changing regulatory needs.

FSRA is committed to involving the sectors in the modernization work through communication, consultation and collaboration. This will include outreach through FSRA's communication channels, forums for discovery and user experience research, and ongoing opportunities for input and feedback as the modernization takes shape.

Key Deliverables:

- Implement a technology platform to enable simplified and fully digitized operations, including a 360-degree view of regulated

entities (customer relationship management solution), case management system, enterprise content management system and data analytics tools, with enhanced client portals.

- Implement advanced online/web-based information sharing and transactional processing tools on FSRA portals.
- Develop digital document processing capabilities to support streamlined processing of all paper-based channels.
- Enable data analytics for each of the regulated sectors to empower FSRA policy and supervisory activities. In support of Property and Casualty (Auto) priority 5.3, Credit Unions priority 6.1, Life and Health Insurance priority 7.1, Mortgage Brokering priority 8.1 and Pensions priority 9.1, and Financial Advisors / Financial Planners priority 10.1, enhance infrastructure and establish new data interfaces (both new data sources and improved data exchanges), and implement advanced analytics and reporting systems to enable more efficient decision-making across all sectors.

Outcomes:

- Improved regulatory oversight through greater access to data and analytics tools across all sectors.
- Improved relationships with stakeholders through enhanced relationship and case management capabilities, and improved tracking and operational processing capabilities (CRM and Case Management).
- Improved and, where possible, customized user experience with the FSRA online portal.
- Improved turnaround time for licensing, filing and registration processes

4. Transition to Principles-Based Regulation (PBR)

FSRA is continuing its transition to a principles-based and outcomes-focused approach. This supports an effort to facilitate innovation, and modernize processes and systems.

To work well, such a shift requires enhanced capabilities, both within the regulator and at regulated entities.

As the regulator, FSRA developed a new Guidance Framework and is continuing to build expertise to evaluate whether principles are being applied in a way that is delivering desired outcomes.

FSRA recognizes that regulated entities need to operate differently. For example, directors and management need to embed principles, and have governance, controls, policies, oversight and processes to support/monitor principles. FSRA has already developed new processes for engaging with regulated sectors for their input on FSRA, the sector principles and the desired outcomes. Their view on FSRA's regulatory approaches is central to any PBR approach.

Key Deliverables:

- Update external supervisory/regulatory processes. That happens first by developing and issuing guidance on a principles-based approach, and subsequently by providing principle-based interpretation, information and decision guidance.
- Complete a review of the FSRA Guidance Framework and update as required to ensure alignment with PBR

- Initiate each sector's participation in implementing a PBR approach in developed guidance supporting the following key priorities:
 - P&C Insurance - empower and protect auto insurance consumers.
 - Credit Unions - update supervisory and risk assessment approach.
 - L&H Insurance – enhance market conduct oversight to protect consumers.
 - Pensions – support plan flexibility, evolution and principles-based applications within the existing regulatory and legislative regime
 - Financial Planners and Advisors – implement the title protection framework for FP/FA
- Develop a PBR rollout, to ensure understanding of the approach and clarify examples of PBR deliverables in each sector.

Outcomes

- A cooperative, principles-based approach is embedded within the regulated sectors and, as a result, requires less prescriptive oversight resources, entity and regulator combined, while generating improved outcomes for consumers.
- Increased internal and external understanding of PBR and supportive behaviours.

Property and Casualty (Auto) Priorities

5.1 Empower and protect P&C and auto insurance consumers

FSRA's mission is to promote safety, fairness and choice in financial services, including Property and Casualty (P&C) insurance. FSRA will build on the core priority of enhancing regulatory effectiveness by taking action to empower and protect consumers, including claimants, in P&C insurance generally and with a focus on auto insurance rate regulation in particular. FSRA aims to enhance consumer choice, promote innovation and foster a more competitive and stable auto insurance marketplace.

Key Deliverables:

- Find new consumer-focused efficiencies and improvements to continue transformation of auto insurance regulation, including expanding on the success of the Standard Filing Guidance, improving approval timelines on non-standard forms, and implementing rate regulation reforms based on input provided by FSRA's Technical Advisory Group for Transforming Rate Regulation.
- Protecting consumers by ensuring auto insurance rates are reasonable through improved use of benchmarks and developing additional tools for identifying unreasonable rates.
- Establishing expectations for enhanced accountability for insurers in rating and underwriting compliance.
- Identify opportunities and initiate implementation to improve consumer awareness by enhancing transparency, quality and comprehensibility of disclosures to consumers by FSRA and the sector.
- Finalize a proposed rule defining Unfair or Deceptive Acts or Practices (UDAP) under the Insurance Act, seek approval from the Minister of Finance to bring the proposed rule into force, and implement a supporting supervisory regime.
- Enhance market conduct oversight through improved coordination with RIBO, data analytics and insurer examinations with an

emphasis on the fair treatment of customers. This includes monitoring activities that pose significant harm to consumers, such as the circumvention of "take all comers" auto insurance requirements, and exploring opportunities to review existing conduct standards.

- In consultation with stakeholders and regulators, seek consistent application of Fair Treatment of Customers guidance across Canada with respect to examples of fair and unfair treatment in the conduct of auto insurance business.

Outcomes

- Improved effectiveness of Ontario's rate regulation framework.
- Improved transparency, disclosures and public awareness regarding P&C insurance in general and auto insurance rates in particular.
- Improved regulatory effectiveness and remove barriers to competition and innovation.
- Improved oversight of auto insurance rating and underwriting accuracy.
- Improved monitoring of consumer harms.

5.2 Support and implement government's auto insurance priorities

FSRA is taking action in support of the government's priorities in the auto insurance sector, including deterring fraud and abuse, improving regulatory effectiveness, enabling electronic communication, removing barriers to innovation, and enhancing consumer choice. While supporting government auto insurance priorities, FSRA will continue to identify and recommend areas within its purview where it can take action to protect the public interest and improve regulatory effectiveness and efficiency. For example, in collaboration with stakeholders, FSRA is building a fraud and abuse strategy aimed at better detection, prevention and deterrence.

Key Deliverables:

- Implement appropriate changes within FSRA's purview to support government priorities.
- Build and operationalize a fraud and abuse strategy, including Health Service Provider (HSP) supervisory reforms, to deliver reduced costs, improved consumer protection, enhanced regulatory efficiency and reduced regulatory burden.

Outcomes

- Principles-based approach to support expected government auto insurance priorities, while acting within FSRA's purview.
- Improved consumer outcomes.
- Improved deterrence of fraud and abuse.
- Improved regulatory effectiveness and efficiency, including oversight, forms and processes.

5.3 Implement auto insurance data and analytics strategy

Understanding the regulatory environment, how the industry behaves, and the outcomes for consumers and markets is key to FSRA's role. As the amount of data generated by the insurance industry and collected by the regulator continues to grow and change, the importance of leveraging collected data to support rate and underwriting regulation transformation and auto insurance reform becomes critical. FSRA will continue to develop and implement its auto insurance data and analytics strategy, with a focus on modernizing FSRA's data infrastructure and analytical capabilities to enhance the regulation of Ontario's auto insurance sector.

Key Deliverables:

- Develop a detailed implementation plan for FSRA's auto insurance data collection strategy on prioritized external data sources, and use collected data to monitor auto insurance market health, understand consumer needs, and to support FSRA's fraud and abuse strategy (in support of priorities 5.1 and 5.2).
- Implement new data and reporting requirements for insurers and develop supervisory analytical tools with a focus on verifying insurer underwriting and rating compliance, assessing consumer impacts and model fairness, and identifying unjust or unreasonable rates (in support of priority 5.1).

Outcomes

- Improved ability to access, share and process data in a timely way by leveraging technology.
- Improved supervisory efficiency and support for auto insurance reforms and fraud reduction.
- Enhanced analytical support for supervisory approach for underwriting and rating compliance.

Credit Unions

6.1 Support modernization of credit union framework

In 2020-21, FSRA held a series of meetings with credit union and caisse populaire sector representatives and worked collaboratively to establish a mutually agreed upon work plan, which prioritizes the review and development of guidance, rules and supervisory changes to implement efficient and effective regulation. FSRA has begun to implement the workplan, promoting the modernization of the credit union framework. Moving forward, FSRA will continue to follow this work plan as well as develop new rules to support any new legislation that may be introduced by the government to the extent that FSRA is granted the authority to do so.

Key Deliverables:

- Support MOF in the development of regulations under the new credit union legislation, once introduced.
- Develop, consult on and issue high priority guidance documents and, where legislative authority is provided, principles-based rules identified in FSRA's work plan, including those to:
 - support the new legislative framework once introduced by the government (e.g., Capital and Liquidity)
 - set standards on sound business and outline financial practices to replace those currently set out in DICO By-Law #5
 - provide guidance on Data Governance and IT Risk Management.

Outcomes

- A modernized framework, reinforced by FSRA's work plan with the sector, will ensure better protection of credit union member deposits and promote member confidence, through stronger, better governed and more resilient credit unions. This will also result in more transparent, efficient and effective regulation.

6.2: Enhance Deposit Insurance Reserve Fund Adequacy Framework and Sector Liquidity Framework

Preserving strong governance of the Deposit Insurance Reserve Fund (DIRF) is important for promoting safety, soundness and consumer confidence in Ontario's credit union system. In the past year, FSRA commissioned the development of a stress-testing framework to assess the adequacy of the DIRF. FSRA has also worked to ensure better structural liquidity tools and reporting are in place. Moving forward, FSRA will work with the credit union sector to refine the DIRF assessment in order to ensure the DIRF is able to meet potential deposit insurance obligations.

Key Deliverables:

- Engage the credit union sector to determine risk data needs for the DIRF framework and advance the work for DIRF framework enhancement.
- Consult on and finalize a framework for assessing DIRF adequacy, reassess the DIRF premium assessment regime and report to the Minister on DIRF adequacy.
- Continue work with external partners (e.g. MOF, Bank of Canada) on sectoral structural liquidity issues to secure access to sufficient emergency liquidity for Ontario credit unions.

Outcomes

- Improved depositor protection and sector stability.
- Greater public, sector and regulatory confidence in the liquidity and capital resources of the sector.
- Confidence that statutory deposit insurance obligations will be honoured and that the sector will be resilient under a broad variety of defined scenarios.

6.3: Continue to design and develop the Integrated Risk-Based Supervisory Framework

Major changes and developments in the financial services industry have changed the nature of risks and risk management of financial institutions. In 2020-21, FSRA identified principles and worked on the design of the supervisory framework. The new integrated Risk-Based Supervisory Framework will be principles-based and reflect the enhancements FSRA has made to address these changes. These enhancements ensure that FSRA's risk-based supervision is principles-based, outcomes-focused, dynamic and forward-looking. It will help ensure that FSRA can respond proactively and effectively to changes in the Ontario credit union system. It will also promote sector stability and institutional resiliency by encompassing a sound resolution regime and recovery planning standards for credit unions.

The Risk-Based Supervisory Framework sets out the principles, standards, concepts and processes that FSRA uses to guide its supervision of credit unions. The Framework is guidance for FSRA supervisory staff and explains why and how supervisory work is carried out. This Framework will be a key component of FSRA's principles-based and outcomes-focused approach to credit union regulation. The primary focus of FSRA's supervisory work is to determine the impact of current and potential future events, in both the internal and external environment, on the risk profile of each credit union.

Key Deliverables:

- Prepare the draft Framework documents and complete stakeholder consultation on approach guidance.
- Identify data requirements from external sources, based on the supervisory framework and its objectives.
- Identify IT systems requirements to support the Framework.
- Finalize and further implement the new market conduct supervisory approach for credit unions.
- Work with credit unions to implement the recovery planning guidance developed in 2020-21 (e.g. Develop recovery plans where required)
- Work with MOF and the credit union sector on development and documentation of FSRA's approach to resolution.

Outcomes

- A principles-based, risk-based and outcomes-focused supervisory framework for Ontario credit unions, which efficiently and effectively promotes institutional resilience and sector stability.

Life and Health Insurance

7.1 Enhance market conduct oversight to protect consumers

Establishing enhanced market conduct oversight is critical to ensuring consumer protection and maintaining public confidence in the Life and Health (L&H) insurance industry.

In this sector, insurers have increasingly been outsourcing a variety of functions across a distribution network, which includes intermediaries such as managing general agents (MGA). Large proportions of L&H insurance sales are generated by the distribution network.

Given this trend, and to ensure market conduct requirements are met, FSRA is assessing distribution channels that rely on MGAs to understand the sales process and how insurers, agents and MGAs interact with the public.

To date, FSRA has explored the development of a Code of Conduct with the Canadian Insurance Services Regulatory Organizations (CISRO) that would apply to intermediaries such as MGA's.

In addition, FSRA completed a study of data derived from Life Agent Reporting Forms (LARFs) submitted to FSRA by insurers to report on possible misconduct and lack of suitability among life insurance agents. The study's conclusions will contribute to the key deliverables.

In recent years, there have been a number of initiatives to improve and strengthen regulatory standards for the distribution of investment products, particularly in relation to the level of information that is disclosed to consumers. FSRA is reviewing the distribution of segregated funds and considering the extent to which similar enhancements are needed.

Key Deliverables

- Support the Fair Treatment of Customers (FTC) principles by leading the implementation of a CISRO-harmonized industry Code of Conduct for intermediaries, for implementation in 2022.
- Support FTC principles by developing and consulting on options for a proposed regulatory

framework and supervisory approach for distribution channels (e.g., MGAs). Launch implementation of the regulatory framework and supervisory approach as appropriate.

- Prioritize the building of an agent conduct team and development of a supervisory framework. When building this framework, FSRA would consider solutions for improving advisor oversight proposed by the industry's regulatory G4 task force. Launch implementation of the supervisory framework for agent conduct.
- Review the distribution and administration of segregated funds in Ontario, including concerns related to consumer harm and the disclosure available for similar investment products. Review the developments in FTC principles and determine whether new standards are needed to enhance investor protection for segregated funds.
- Support FTC principles by reviewing commercial practices of Tier-1 Insurers to evaluate implementation of FTC principles across distribution channels.

Outcomes

- Consumer protection is enhanced as: industry associations promote the CISRO Code of Conduct, which provides clear guidance on conduct; the Code provides consumers a reference tool for appropriate conduct.
- Industry is clear regarding FSRA's expectations of the Insurer-MGA relationship, increasing public interest outcomes.
- Additional insights are gathered on life agent conduct through the establishment of the supervisory plan and team, to inform FSRA of approaches for improving consumer protection.
- Industry is clear regarding FSRA's expectations with regard to information for consumers about the total cost of their segregated funds, to help them make more informed decisions.

Mortgage Brokering

8.1 Support government policy direction on the *Mortgage Brokerages, Lenders and Administrators Act, 2006* (MBLAA)

FSRA will support government policy direction related to the five-year review of the *Mortgage Brokerages, Lenders and Administrators Act, 2006* (MBLAA). The report's recommendations focus on:

- Modernizing and streamlining the MBLAA to increase access to the mortgage market for homeowners, lenders and investors, by improving regulatory efficiency and reducing burden; and
- Improving consumer and investor protection.

Key Deliverables:

Support government direction with respect to the recommendations of the MBLAA legislative review. If and where appropriate, FSRA will support the government in implementing any required changes that are within FSRA's purview and jurisdiction.

Outcomes

- Ongoing support for government priorities and policy direction, with a focus on burden reduction and consumer protection.

Pensions

9.1 Support plan flexibility, evolution and principles-based applications within the existing regulatory and legislative regime

FSRA will work to ensure appropriate principles-based and outcomes-focused implementation of the regulatory framework to facilitate evolution in the sector, for example through plan transactions, including transfers and consolidation.

FSRA will also continue work that supports vibrancy and flexibility in Ontario's pension sector by examining ways to increase regulatory efficiency and effectiveness, reduce costs and other sector evolution and innovation activities. To ensure a strong foundation, FSRA will continue to build relationship management as a key skill.

Building on initiatives around reconnecting members to their pension plan, work on defined contribution (DC) pension plan supervision (Priority 9.3), work on defined benefit (DB) multi-employer pension plan (MEPP) targeted review (Priority 9.2) and, with research from FSRA's Consumer and Innovation Offices, FSRA will engage with the sector on issues around pension plan member communication and engagement strategies to improve outcomes in retirement and to support FSRA's statutory objects to promote good administration of pension plans and protect and safeguard the pension benefits and rights of pension plan members.

Key Deliverables:

- Continue consultation that will begin in F2020-21 with a special purpose Technical Advisory Committee to identify ways within the regulatory framework to foster a vibrant employment-based pension pillar in Ontario. FSRA will examine regulatory barriers with an objective of promoting good administration of pension plans that is facilitative for employers, cost efficient and can leverage innovative practices; and ensure that Ontario pension plan members are well-informed regarding their retirement benefits and how those pension benefits are protected.
- Towards the end of FY2021-2022, FSRA will engage the pension sector through a special purpose Technical Advisory Committee to

develop thought leadership on member communication and engagement strategies. The focus of this foundational work being to ensure members understand their pension rights through easily understood language, enabling well-informed decisions and finding simplification opportunities within the current legislative and regulatory framework through existing rule-making powers. This engagement will (1) draw on existing research and practice; and (2) help focus the development of potential future initiatives under this priority. This priority will be completed in FY 2022-23.

Outcomes

- Through the report from the new special purpose Technical Advisory Committee on fostering a vibrant employment-based pension pillar, FSRA will promote good administration of pension plans that is facilitative for employers, cost efficient and can leverage innovative practices; and ensure that Ontario plan members are well-informed regarding their retirement benefits and how those pension benefits are protected.
- To support better outcomes for members, through the member communications and engagement special purpose Technical Advisory Committee established at the end of FY2021-2022.

9.2 Develop and consult on prudential supervision framework

FSRA will continue to enhance its oversight of prudential pension matters to ensure appropriate assessment of risks and targeting of supervision. FSRA will continue to engage the sector through its existing standing Technical Advisory Committees and Retiree Advisory Panel.

Key Deliverables:

- FSRA will continue to deliver its supervisory approach for DB single-employer pension plans (SEPP) that are Actively Monitored. FSRA uses a number of predictive and preventative tools and supervisory methods to improve outcomes for pension plan beneficiaries of Ontario-registered DB SEPPs where there may be a concern with respect to the security of the pension benefits promised. FSRA will also continue to work on the long-term viability and financial sustainability of the PBGF. To that end, FSRA will enhance its predictive analysis with stochastic modeling and adding expertise to FSRA's risk analytics team.
- Continue to work collaboratively with large public sector pension plans to monitor and enhance FSRA's supervision of investment risks and understanding of governance and systemic risks in Ontario's largest pension plans, in terms of plan assets and membership. FSRA will engage in follow-up discussions and pilot common liquidity risk metrics amongst the large public sector pension plans. Discussions with large public sector plans will also focus on best practice recommendations with respect to the identification and monitoring of investment risk, including appropriate disclosures for leverage and illiquid assets. FSRA will also develop a leverage risk governance framework through chairing the CAPSA leverage committee.
- Implement learnings, share findings with MOF from a targeted review of DB MEPPs, and pilot benchmarks against highest impact best practices for governance, risk management and communication, and consider appropriate supervisory tools (e.g., scorecards, etc.).

- FSRA will continue to support MOF with its implementation of a target benefit framework. To support the legislative framework once implemented, FSRA will develop and consult on an appropriate principles-based and outcomes focused supervisory approach for DB MEPPs.

Outcomes

- FSRA will continue to evolve its predictive analysis and capabilities with respect to PBGF-eligible pension plans that are registered in Ontario and will continue to engage with single-employer DB pension plans that are Actively Monitored. These tools and supervisory methods serve to improve outcomes for pension plan members, allow FSRA to gain a deeper understanding and management of potential risks to the PBGF and, improve focus on regulatory efficiency and effectiveness.
- The use of common liquidity metrics for large public sector pension plans will result in a more effective and efficient understanding and supervision of liquidity risk and greater understanding of governance and systemic risks in Ontario's largest pension plans.
- The use of scorecard and benchmarking with DB MEPPs will result in more unified governance, risk management, operational and communication practices across MEPPs, enhanced risk profiles and improved focus on regulatory efficiency and effectiveness.

9.3 Refocus pension regulation to improve regulatory efficiency and effectiveness

FSRA will continue to focus resources on high-value regulatory activities and on improving regulatory efficiency and effectiveness by completing the update of its guidance framework, describing approaches, improving processes, and modernizing information management and information technology.

In doing so, FSRA will continue to assess the effectiveness and efficiency of its regulatory framework and other practices for all plan types, to ensure they are principles-based, outcomes-focused and proportionate to regulatory objectives. Across its work, FSRA will collaborate with MOF on regulatory improvements identified by the Ministry's consultations, as well as those of FSRA.

FSRA will also collect and report on certain process and system changes that could support regulatory efficiency for pension plan administrators (e.g., DC wind-ups, Form 7 updates).

Key Deliverables:

- Through a joint collaboration with the Office of the Superintendent of Financial Institutions (OSFI), continue the work of a special purpose Technical Advisory Committee for DC pension plans to develop a principles-based and outcomes-focused supervisory approaches for DC plans (e.g., member behaviour and engagement, investments, fees, governance, etc.). Once the committee concludes its work, FSRA will initiate a public consultation on new guidance and will commence implementing such guidance, approaches and other key changes.

- Conclude the work of the special purpose Technical Advisory Committee on pension division resulting from marriage breakdown and issue final guidance following public consultation. FSRA will explore with the committee the impact of drafting a new Rule through the existing rule-making powers under the PBA with respect to family law matters. If a new Rule is proposed, FSRA will consult in FY2021-2022.

Outcomes

- The committee work on DC pension plans will result in enhanced understanding of issues and risks for DC plan members and administrators, a more appropriate supervisory approach for DC pension plans and improved regulatory effectiveness and efficiency.
- FSRA will track other metrics and trends associated with asset transfer applications.
- FSRA will shift its guidance on pension division on marriage breakdown to a more principles-based, comprehensive document and produce a plain-language guide for plan members. This will result in a simpler, more transparent and more equitable regime for pension division on marriage breakdown to enable plan members and spouses to make well-informed decisions and to promote good plan administration practices.

Financial Planners / Financial Advisors

10.1 Implement the title protection framework for Financial Planners / Financial Advisors

The goal of the Financial Planner / Financial Advisor (FP/FA) title protection framework is to ensure that individuals using the “financial planner” and “financial advisor” titles are appropriately qualified through meeting minimum standards. This will promote confidence and professionalism in the sector and avoid confusion for investors/consumers that may see the title used without assurance of qualifications.

Under the framework, FSRA will establish:

- minimum standards for FP/FA qualifications; and
- approval criteria that entities must meet in order to obtain approval as a credentialing body for FP/FA credentials.

Organizations seeking approval as credentialing bodies under the *Financial Professionals Title Protection Act, 2019* (FPTPA) will need to meet certain standards, including education requirements, monitoring of FP/FA title users, and effective compliance and enforcement.

FSRA will also implement efficient processes and procedures to approve credentialing bodies and FP/FA credentials, as well as develop an effective supervisory approach for the oversight of the framework. FSRA will have the authority to conduct examinations and issue compliance orders against credentialing bodies as required for breaches of the FPTPA, as well as take action against non-credentialed FP/FA title users. Under the framework, credentialing bodies will be required to oversee the conduct of individual FP/FA title users.

Key Deliverables:

- Complete consultation process for all rules and guidance governing the title protection framework.
- Finalize operational processes and procedures to approve credentialing bodies and FP/FA credentials.
- Develop and implement a supervisory approach for the title protection framework with

respect to credentialing bodies and action against non-credentialed FP/FA title users.

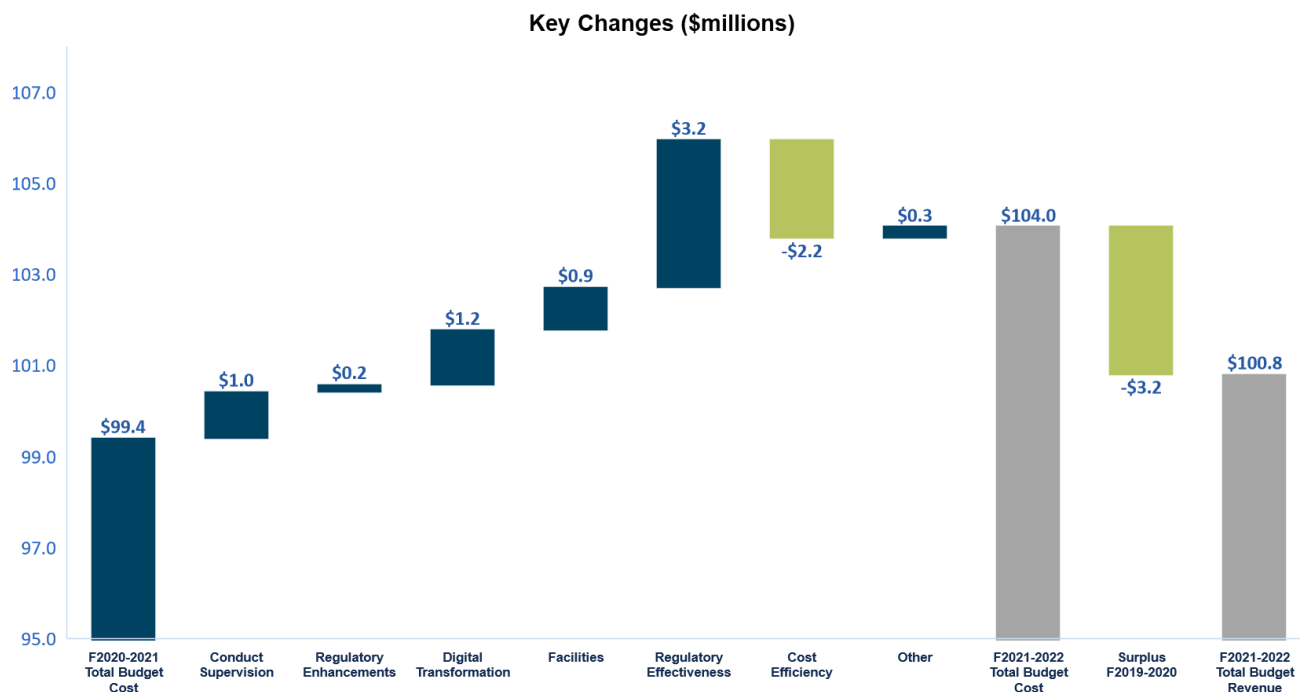
- Accept applications from entities seeking approval as credentialing bodies under the FPTPA and determine which should be approved.
- Operationalize and fully implement the title protection framework, including a public education campaign.
- Work with MOF and other stakeholders to identify and implement any required changes to legislation and/or regulations to support the implementation of the FP/FA framework.

Outcomes

- Increased consumer knowledge and awareness as a result of a successful consumer education campaign at implementation.
- Increased consumer confidence that FP/FA title users are qualified to provide financial planning and advisory services.

Financial Outlook

FSRA proposes a \$104.0 million cost budget for F2021-2022 to achieve its mandate and stated priorities. The table below analyzes the net increase of proposed budgeted costs compared to the FY2020-2021 cost and revenue budget.



The \$4.6 million cost increase is due to a number of key investments primarily in regulatory enhancements and increased conduct supervision, regulatory effectiveness, digital transformation and facilities. These investments are partially funded by internal cost efficiencies.

Based on insights gained since the June 2019 launch, FSRA will invest \$1.0 million in increased conduct supervision to achieve acceptable minimal levels of supervisory oversight of life agents, auto enforcement and credit union conduct. Priorities such as the consistent adoption of the credit union code of conduct, and increased diligence to credit union conduct issues observed in FY2020-2021. This illustrates the need for additional conduct resources.

FSRA will invest an additional \$0.2 million to enhance its credit union resolution and recovery capabilities due to the increased risk presented by the COVID-19 pandemic and ensuing economic stress. Investments to replace the inadequate core IT systems will also continue.

FSRA will incur digital transformation amortization cost increase of \$1.2 million (\$6.2 million current year investment, of which \$5.0 million will be deferred and amortized over five years).

Facilities expense also increased by \$0.9 million. That was due to the commencement of leasehold improvement amortization and the completion of the rent-free period at the 25 Sheppard West facility. This enables FSRA to operate more effectively both in and out of the office.

The \$3.2 million expense increase in regulatory effectiveness includes investments to support FSRA's commitment to regulate better. This includes investments to address credit union and auto insurance data analytics initiatives to support risk assessments and principle based regulatory approaches. The investment also includes PBGF stochastic modelling to assess adequacy of the fund and to manage single employer pension plan risks more effectively.

Additional investments are sector participant/consumer and stakeholder communication initiatives and IT operations.

FSRA will generate \$2.2 million of cost efficiencies through management of staffing deployments in both direct sector activities and back-office support functions.

Other items totaling \$0.3 million reflect the net impact of less material activities.

Sector Fee Assessments

FSRA proposes total sector revenues showing a net increase of 1.4% or \$1.4 million over the FY2020-2021 budget. The variable sectors fee assessment component of these total revenues increases by 2% after accounting for the anticipated reduction in revenues for fixed fee/activity fees. The assessment fee increase is limited to 2% by crediting \$3.2 million of F2019-2020 excess revenues over costs back to the sectors in FY2021-2022.

Sector (\$000's)	Insurance								Pensions (Fixed and Variable)	Credit Unions (Variable)	Mortgage Brokers (Fixed)	Loans & Trusts (Variable)	Financial Advisor & Financial Planner	Total
Subsector	Auto Products	Health Service Providers (Fixed)	P&C Conduct	P&C Prudential Regulation	Total Auto/HSP/ P&C	Life & Health Conduct (Variable)	Life & Health Conduct (Fixed)	Total Life & Health						
F2021-2022 Revenue														
Activity Fees		3,327			3,327		5,627	5,627						8,954
Fee Assessment	19,231		10,179	523	29,933	4,299		4,299	26,541	16,131		105	2,501	79,509
Licensing Fees					-			-			12,332			12,332
F2021-22 Proposed Rev	19,231	3,327	10,179	523	33,260	4,299	5,627	9,926	26,541	16,131	12,332	105	2,501	100,795
Direct Cost	10,407	1,891	5,951	306	18,555	2,513	3,199	5,712	15,516	9,840	7,620	61	1,421	58,725
Common Cost	9,331	1,436	4,518	232	15,517	1,908	2,429	4,337	11,781	6,770	5,785	47	1,079	45,316
F2021-2022 Cost	19,738	3,327	10,469	537	34,072	4,421	5,627	10,049	27,297	16,610	13,405	108	2,501	104,041
Recovery Over/(Under)	(507)	-	(290)	(15)	(812)	(122)	-	(122)	(756)	(479)	(1,074)	(3)	-	(3,246)
Funding from F19-20 Excess Revenues Over Costs	507	-	290	15	812	122	-	122	756	479	1,074	3	-	3,246
F2020-21 Budget Revenue	20,668	4,284	11,532	211	36,694	2,380	5,679	8,059	27,074	13,453	13,457	57	599	99,393
Revenue Variance Fav/(Unfav)	1,436	957	1,352	(312)	3,434	(1,919)	52	(1,867)	533	(2,677)	1,125	(48)	(1,902)	(1,402)
	7.5%	22.3%	11.7%	-148.0%	9.4%	-80.6%	0.9%	-23.2%	2.0%	-19.9%	8.4%	-85.2%	-317.7%	-1.4%

Several sub-sectors or sectors will see increased fees:

- P&C Prudential sub-sector due to review of existing oversight and regulatory framework, ongoing participation/support on the CCIR PACICC Committee, work regarding the international standards of solvency regulation criterion and analysis of the potential updates to the minimum capital test guideline for P&C insurance companies.
- Life and Health Conduct sub-sector reflecting increased conduct supervision.
- Credit union sector driven by conduct supervision, specific regulatory effectiveness initiatives and the transition to proportionate cost of shared IT.

FP/FA activity continues to increase during the year, significantly increasing the costs to regulate the sector. All other variable assessment fee sectors will see reductions ranging from 2.0% for pensions to 11.7% for P&C Conduct.

Fixed or activity fee sector volumes are expected to see lower registrations and applications due to attrition anticipated from the current economic climate. That will amount to drops of 22.3% for HSPs and 8.4% for Mortgage Brokers

FSRA Budget

The draft FY2021-2022 FSRA consolidated budget was developed to:

- support FSRA's mandate to be an independent, self-funding and effective regulator; and
- enable FSRA to address its key priorities, including regulatory effectiveness and efficiency.

The draft budget below presents the forecasted financial activities for the period April 1, 2021 to March 31, 2022. Subject to revisions after stakeholder feedback, it will form the basis of FSRA's proposed FY2021-2024 Annual Business Plan. See the appendices for assumptions and methodologies on which the budget is based.

This budget reflects the estimated resources FSRA requires to fulfill its regulatory requirements and to continue the transformation into a principles-based, independent and transparent regulator through its priorities and operating activities.

The total FY2021-2022 FSRA proposed expense budget is \$104.0 million, a 4.7% increase over the prior year. For comparative purposes, the FY2020-2021 budget is illustrated below.

Proposed revenues for FY2021-2022 increased by 1.4% with variable sector fee assessments increasing by 2% from prior year's budget. Expenses of \$3.2 million of FY2021-22 budgeted cost will be funded by excess revenues over costs from FY2019-2020. This proposed annual budget is \$2.1 million in cost and \$5.3 million in revenue less than the F2020-2023 Annual Business Plan projection for FY2021-22.

(\$000's)	FSRA 2021-2022 Proposed Budget	FSRA 2020-2021 Budget	Variance	Variance (%)
Revenue:				
Activity Fees ¹	8,954	10,337	(1,383)	-13.4%
Fee Assessment ²	75,579	74,097	1,482	2.0%
Licensing Fees ³	12,332	13,457	(1,125)	-8.4%
Other ⁴	3,930	1,502	2,429	161.7%
Total Revenue	100,795	99,393	1,402	1.4%
Direct Costs ⁵	58,725	55,937	2,789	5.0%
Common Costs ⁶	45,316	43,456	1,860	4.3%
Total Costs	104,041	99,393	4,648	4.7%
Recovery Over /(Under)	(3,246)	0	3,246	
Funding from F19-20 Excess Revenue Over Cost	3,246			
Net Balance	0			

Notes: the following items were restated for comparison purposes

1. Includes HSP and Life & Health Conduct fixed revenue

2. Includes all variable sector revenue except FP/FA revenue which does not yet have a fee rule to permit charges

3. Includes Mortgage Brokers revenue

4. Includes HSP under-recovery (charge to auto sector) and FP/FA revenue

5 & 6. F20-21 budget restatement - IT cost moved from Direct Cost to Common Costs

Appendix 1: Financial Assumptions

- All FSRA financial information assumes 12 months of activity.
- Comparable figures are based on the April 1, 2020 – March 31, 2021 budget approved by the FSRA Board and used to charge FY2020-2021 fee assessments.
- Technology operating investments made during the year are recovered over five years from the sectors rather than expensed in the year paid, to better match the cost and benefit.
- No allocation methodology changes from prior year except for IT non project specific costs moved from Direct allocation to Common allocation and the Credit Union sector IT cost allocation change noted below.
- With more than a year since the merger of FSRA and DICO, we've seen the declining relevance of the Credit Union sector IT facilities inherited from DICO, and the start of digital transformation and other IT benefits starting to accrue to the CU sector. Therefore, CU IT costs are being transitioned over three years to bear their pro rata share of common IT costs. This is reflected in the cost allocations.
- The Financial Planners/Financial Advisors sector costs will be recovered from the sector once regulation commences and a fee rule is in place. Costs are being accrued to ensure other sectors are not bearing the costs of the FP/FA (including a proportionate share of common costs) through the establishment of the regime.
- FSRA regulates Health Service Providers as part of its Auto Insurance regulation activities, HSPs, as a fixed fee payer under the FSRA fee rule, are merged into the Auto Insurance sub-sector and any revenue under recovery/overage is charged to/credited to the variable fee assessment auto sectors.
- Life Conduct for L&H agents is a fixed fee sub-sector. Any cost overage/underage will be charged to life insurers as a variable sub-sector.
- FSRA will recover expenses for its review of Co-Op offering statements.

Appendix 2: Sector Allocation Methodology Highlights

Direct Cost Allocation: Includes Insurance, Pension, Credit Union, Market Conduct, Legal, Policy, Lease and IT Direct (project-specific expenses)

- Pension, Credit Union and Insurance Division costs: allocated 100% to their respective sectors (with minor exceptions, i.e. one FTE from Credit Union is allocated to the P&C Prudential Regulation sector)
- Market Conduct and Policy Division: based on dedicated FTEs to specific sectors. FTEs that are not dedicated to specific sectors are allocated based on Market Conduct and Policy direct allocation rates
- Legal Division: allocation based on anticipated use of service considering FTE's allocated to each sector and historical activity.
- Lease costs: allocated based on FTE.
- IT costs for Credit Union sector: being transitioned from credit union-specific (DICO) costs to the proportionate costs of shared IT. The DICO IT architecture inherited in the merger with FSRA become less relevant given investments in IT and the move towards a fully integrated, secure and reliable digitally transformed FSRA IT environment. The transition will be complete in F2022-23.
- IT specific sector projects: charged to sectors directly. Additional IT costs are allocated to sectors proportionately based on their direct costs

Common Cost Allocation: Includes CEO Office, Corp Services (which included IT non-specific project costs), Public Affairs, Interest, Amortization

- Based on the overall direct costs allocation rates.

Briefing Note

CAFII EOC Meeting 29 October 2020—Agenda Item 4(d) Committee Updates—Travel Medical Insurance Experts

Purpose of this Agenda Item – *Update*

This is an update on travel medical insurance issues.

Background Information

Afzal Baig will provide an update on the recent work of the CAFII Travel Medical Insurance Experts Working Group.

B. Wycks will also highlight some related recent developments, including a 6 October, 2020 introductory discussion Keith Martin and Brendan Wycks held with Global Affairs Canada (Elizabeth Hrubesz and Andrea Lemelin).

Recommendation / Direction Sought – *Update*

This is an update only.

Attachments Included with this Agenda Item

No attachments.

Briefing Note

**CAFII EOC Meeting 29 October 2020—Agenda Item 4(e)(i)
Committee Updates—Networking and Events—CAFII Board Feedback On Possible Webinar Or Other
Virtual Event Immediately Following December 1/20 CAFII Board Meeting**

Purpose of this Agenda Item – Update

This is an update on a possible event following the 1 December, 2020 Board meeting.

Background Information

In the *in camera* session at the conclusion of the 15 October 2020 Board meeting, the Board did not feel it was desirable to hold a virtual event, such as a webinar with a guest speaker, following the 1 December, 2020 Board meeting.

Recommendation / Direction Sought – Update

This is an update only.

Attachments Included with this Agenda Item

No attachments.

Briefing Note

CAFII EOC Meeting 29 October 2020—Agenda Item 5(a) Insights Gained From October 21/20 CAFII 2020 Annual Members' Luncheon Presentation By FCAC On Financial Consumer Protection Framework

Purpose of this Agenda Item – Update

This is an update on learnings from the 21 October, 2020 CAFII Annual Members' Luncheon Webinar presentation by the FCAC.

Background Information

Teresa Frick made a presentation to CAFII on 21 October, 2020 and this will be an update on the learnings from that presentation.

Recommendation / Direction Sought – Update

This is an update only.

Attachments Included with this Agenda Item

One attachment.

Agenda Item 5(a)
October 29/20 EOC Meeting

Insights Gained From October 21/20 CAFII 2020 Annual Members' Luncheon Webinar Presentation By
FCAC On Financial Consumer Protection Framework

**FCAC Plans For Development Of Four Guidelines Related to Financial Consumer Protection
Framework**

In a follow-up email to CAFII Co-Executive Directors Brendan Wycks and Keith Martin sent shortly after the Financial Consumer Agency of Canada (FCAC)'s CAFII 2020 Annual Members Luncheon Webinar presentation for CAFII Member and Associate representatives on October 21/20, Brad Schnarr, the FCAC's Manager, Regulatory Guidance and Co-ordination, Supervision and Enforcement Branch, shared the following information about the Agency's plans for developing four Financial Consumer Protection Framework (FCPF)-related guidelines:

FCAC has committed to developing four guidelines in relation to FCPF provisions. The guidelines relate to the provisions in the FCPF where banks are required to develop policies/procedures:

1. *General Adherence to the Consumer Provisions (195.1 (3)(a) of the Bank Act once in force)*
2. *Appropriate Products (627.06 of the Bank Act once in force)*
3. *Complaints Handling (627.43 (1)(a) of the Bank Act once in force)*
4. *Whistleblowing (979.3 of the Bank Act once in force)*

For each of these four guidelines, FCAC intends initially to have a targeted consultation with the Industry Working Group put in place to assist in the implementation of the FCPF. The targeted consultation will either be on an early draft version of the guideline, or on a discussion paper on the topic of the provision.

The feedback and results of the targeted consultation with the Industry Working Group will help to inform the development a draft guideline, on which a public consultation (which includes all industry, stakeholders, the public) will then take place.

FCAC expects that a draft Complaints Handling Guideline and an Appropriate Products discussion paper will be the first two of the four Guideline topics to go out to the FCPF Industry Working Group for targeted consultation.

**Composition Of Industry Working Group Put In Place To Assist FCAC In Implementation Of
Financial Consumer Protection Framework**

In a follow-up email to CAFII Co-Executive Directors Brendan Wycks and Keith Martin sent shortly after the Financial Consumer Agency of Canada (FCAC)'s CAFII 2020 Annual Members Luncheon Webinar presentation for CAFII Member and Associate representatives on October 21/20, Brad Schnarr, the FCAC's Manager, Regulatory Guidance and Co-ordination, Supervision and Enforcement Branch, shared the following information about the composition of the Agency's *Industry Working Group Put In Place To Assist Implementation Of Financial Consumer Protection Framework (FCPF)*:

With respect to the FCPF Industry Working Group, I am happy to advise that in addition to FCAC chairing the Group, it consists of 12 members plus the Canadian Bankers Association (CBA) as an observer. The 12 members represent larger and smaller federally regulated financial institutions, different business models and business lines, and they are geographically diverse.

FCAC Appoints New Deputy Commissioner Of Research, Policy And Education

By Financial Consumer Agency of Canada, September 4, 2020

Judith Robertson, Commissioner of the Financial Consumer Agency of Canada (FCAC), today announced the appointment of Dr. Supriya Syal as Deputy Commissioner of Research, Policy and Education, effective September 28, 2020.

FCAC's role is to protect financial consumers by strengthening the financial literacy of Canadians and promoting the compliance of federally regulated financial entities, including banks, with their legislative obligations, codes of conduct and public commitments.

The appointment of Dr. Syal supports FCAC's vision to be a leader and innovator in financial consumer protection. Her background in social and behavioural science research will enhance FCAC's leading-edge research function, and she will play a pivotal role in advancing the Agency's consumer education mandate, including the renewal and implementation of the National Financial Literacy Strategy. Furthermore, Dr. Syal will strengthen the Agency's capacity to contribute innovative policy solutions to help Canadians improve their financial wellness.

Biographical Notes

Dr. Supriya Syal is a leading expert in research and evidence-based policy innovation in Canada.

She is the former Chief Science Advisor to the Treasury Board Secretariat Talent Cloud, and the former Chief Behavioural Scientist of the Privy Council Office Innovation Hub. Prior to joining the public sector, Dr. Syal was VP Research and Innovation at BEworks Inc. She is also the founder and former President of Dulcimer Labs, a purpose-driven company that creates social impact through evidence-based decision making.

She has won multiple awards, published in top academic and popular journals, and has co-authored a number of policy white papers. She is a regular invited speaker at research, tech and innovative government conferences, and has also appeared on crowdcast, radio and television, including National Public Radio (US) and on TVO's flagship current affairs show in Canada, The Agenda.

Dr. Syal holds a PhD in psychology from Cornell University, as well as a master's degree in neuroscience and a bachelor's degree in biochemistry.

Briefing Note

CAFII EOC Meeting 29 October 2020—Agenda Item 5(b)

CAFII Board Directive/Request For Ongoing EOC Engagement in Monitoring FCAC's Development Of "Appropriateness Guideline" and Related Sharing of Members' Insights

Purpose of this Agenda Item – Update / Discussion

To share a briefing paper on recent FCAC developments, which was presented to the Board at its 15 October, 2020 meeting.

Background Information

CAFII has produced a report on the FCAC's Financial Consumer Protection Framework (FCPF) and the related plan to develop an "Appropriateness Guideline." The CAFII Board indicated at its 15 October, 2020 Board meeting that as a first step on this file, the EOC should take on monitoring what members' organizations are doing around the Appropriateness Guideline, and share that at an EOC level. The Board also asked the EOC to monitor what the Canadian Bankers Association is doing on this file and share this at EOC meetings, as the CBA declined CAFII's request that they share directly with CAFII what they are doing on this file.

Recommendation / Direction Sought – Update / Discussion

This is primarily an update item, which is also expected to give rise to a brief discussion.

Attachments Included with this Agenda Item

One attachment.

**Agenda Item 5(b)
October 29/20 EOC Meeting**

Briefing Document on the Financial Consumer Protection Framework (FCPF) Components of Federal Bill C-86; and Related Development Of An “Appropriateness Guideline”

Status of the Financial Consumer Protection Framework (FCPF) Components of Bill C-86

A summary of the key provisions of federal Bill C-86 issued by the law firm Torys¹ on 30 April, 2020 states that “the *Bank Act* amendments introduced in Bill C-86, which provided for a consolidation and strengthening of the consumer provisions found in the *Bank Act*, have not been proclaimed into force by this Order in Council.”

Therefore, the provisions of Bill C-86 related to the appropriateness for consumers of financial products and services offered by federally regulated financial institutions are contained in the legislation but they are not yet in-force.

Further, as indicated by recent CAFII conversations with FCAC staff executives (see “FCAC Plans For Developing An Appropriateness Guideline” below), exactly how those appropriateness provisions will be defined, monitored, and enforced has yet to be considered and developed.

Torys’ analysis also notes that the FCPF contains “a new provision, which is favourable to the banks, requiring the FCAC to balance their duty to protect consumers’ rights with the ‘need of financial institutions to efficiently manage their business operations.’ ”

Suitability and Appropriateness Tests for Insurance Products in the European Union

On 1 October, 2018, the European Union implemented a new “Insurance Distribution Directive” which introduced a regime for the selling of insurance-based investment products (IBIPs). Under this directive, if advice is being provided, a “suitability” test must be performed. In contrast, if no advice is being offered, an “appropriateness” test has to be performed.

The EU directive’s appropriateness test consists of one criterion only: “the customer’s knowledge and experience in the product’s investment field, from which it should be determinable how well he/she can understand the risk involved.” Furthermore, “if the customer fails to provide this information, or if he/she lacks knowledge and experience for the IBIP in question, then the distributor must issue a warning stating that the IBIP is not appropriate for the customer.”²

¹ To see the analysis, see <https://www.torys.com/insights/publications/2020/04/mandatory-naming-greater-penalties-and-clarified-objectives-the-new-fcac-provisions>

² Source: https://blog.kpmg.lu/how-to-assess-suitability-and-appropriateness-under-the-idd/?utm_source=Mondaq&utm_medium=syndication&utm_campaign=LinkedIn-integration

However, that said, EU member states may allow the appropriateness test to go unperformed if all of four conditions are met:

1. *The sale contract contains MiFID II non-complex financial instruments or it contains non-complex IBIPs.*
2. *The idea to buy the IBIP is initiated by the customer.*
3. *The customer is made aware that the test is being skipped, and that he/she therefore will not benefit from its protection.*
4. *There are no conflicts of interest.*

New Financial Products Suitability Law In Australia

In April 2019, Australia's parliament (House of Representatives and Senate) passed a new financial products suitability law very similar to the UK's MiFID II-based regulations, which made Australia the second major global market to adopt a financial products suitability standard.

This was a major departure in how Australia's financial services sector is regulated. Previously, regulation was based on the notion that disclosure of product characteristics, fees and risks meant the client could make an informed choice. The new suitability law is rooted in a recognition that disclosure regimes fail to adequately protect consumers. Disclosure continues under the new regime, but with suitability overlaid.

At the same time, Australia's *Treasury Laws Amendment (Design and Distribution Obligations and Product Intervention Powers) Bill 2019* extended a regime of senior executive accountability and responsibility introduced in 2018 from coverage of just banks to include senior management in the broader financial services sector, including insurance.

These new rules impose responsibility for product design and distribution to ensure products are targeted at the right consumers. Breaching the product design and distribution rules now attracts civil and criminal sanctions: criminal – up to \$42,000 fine or five years imprisonment or both; civil – maximum of \$200,000 for individuals or \$1 million for a corporate entity. A client who suffers loss or damage may also take civil action against the advice-giver.

The rules will apply to product issuers; Financial Services License holders; authorised representatives of a licensee; and sellers of financial products where a Product Disclosure Statement or a disclosure document are required.

The products covered are

- financial products requiring disclosure by Product Disclosure Statement (PDS);

- products requiring disclosure under Fundraising provisions of Corporations Act (Part 6D.2), or are exempt via a mutual recognition scheme with New Zealand;
- those products made subject to the regime by Ministerial discretion — regardless of whether disclosure is required.

The new law (i) imposes responsibility for product design and distribution to ensure products are targeted at the right consumers; (ii) as part of the product design rules, the Australian Securities and Investments Commission (ASIC) has been given intervention powers to regulate or ban potentially harmful financial products that risk consumer detriment. Significantly, in urgent cases, interim orders can be made to immediately restrict, modify or ban a financial product without any consultation or comment from the product issuer.

ASIC must consider the nature and extent of detriment including actual or potential losses and the impact on clients. ASIC can issue a stop order for:

- failing to make a target market determination;
- advising on or selling a product without a determination; and
- failing to take reasonable steps to comply with a determination.

ASIC must satisfy consultation and notification obligations before an intervention order is made and affected parties must be given the opportunity to make submissions to a hearing prior to an intervention being issued.

Intervention orders are made public on the ASIC website and are usually in force for up to 18 months (but can be extended). Intervention powers are not retrospective and only apply to products issued after April 2019. There was no transition period as such, with the stop-order powers applying from the day the law was proclaimed.

FCAC Plans For Developing An Appropriateness Guideline

Through recent CAFII conversations with Frank Lofranco, the FCAC's recently appointed Deputy Superintendent, Supervision and Enforcement, and some of his FCAC staff executive colleagues, we have learned the following about the FCAC's plans to develop an "appropriateness guideline":

We are not planning to develop an appropriateness provision or a test. The Financial Consumer Protection Framework (FCPF) in the Bank Act (once in force) includes a provision on "appropriate products." The FCAC plans to develop a guideline for industry that will articulate our perspective and expectations related to that provision.

What guidelines are is explained in section 4.3.1 of FCAC's Supervision Framework (<https://www.canada.ca/en/financial-consumer-agency/services/industry/supervision-framework.html>).

So we plan to develop a guideline focusing on the “appropriate products” provision in the FCPF to assist regulated entities in complying with market conduct obligations. We have not landed on the exact content of the guideline, or the specificity of whether/how certain products or services will be incorporated. Significant development work remains, as does consultation with the Industry and the public.

As a first step, we plan to consult with the Industry Working Group put in place to assist in the implementation of the FCPF. We are targeting that discussion/consultation for late fall 2020, or early winter 2021.

A public consultation (which includes all industry, stakeholders, the public) on the draft appropriateness guideline will take place following that initial targeted consultation.

Implementation of the FCPF falls under Brad Schnarr, the FCAC’s Manager, Supervision and Enforcement. Mr. Schnarr confirmed that Stephen Wild, Senior Research & Policy Officer, who reports to Mr. Schnarr, who in turn reports to Frank Lofranco, Deputy Commissioner, Supervision and Enforcement, will be the lead on drafting the appropriateness guideline for financial products which is embedded within the FCPF section of Bill C-86 which received Royal Assent in December 2018.

Canadian Bankers Association Work on Appropriateness Guideline Cannot be Shared with CAFII

On 5 October, 2020, Brendan Wycks wrote CBA staff executives requesting a teleconference meeting to share information on the work which CAFII and the CBA have done on the FCAC appropriateness guideline, to which Aaron Boles, the CBA’s Vice-President, Communications, replied:

Thanks, Brendan.

The CBA and our member banks engaged external counsel on the “Appropriateness Guideline.” However, this work can’t be shared outside of the CBA according to the terms of the engagement with the firm. As to the outcome of your conversations with Frank and Brad, we’ve had similar, direct conversations with them about the guideline.

So, at this point, we don’t think there’s a compelling need for a conference call.

*Best regards,
AEB*

Position of CAFII Board Members on the Appropriateness Guideline

One CAFII Board member has suggested to CAFII management that the Association should consider getting out in front of the FCAC’s appropriateness guideline by developing industry positions on the provisions that are likely to be contained in that guideline -- to forestall the likelihood that the FCAC will include excessive or unnecessary provisions in its appropriateness guideline. More specifically, this Board member sees three possible areas where CAFII could attempt to develop industry positions.

First, at the time of onboarding, there could be an eligibility test for the client signing up for a credit protection insurance (CPI) product. For example, if the client is signing up for job loss insurance, they would be asked a question to confirm that they are working the minimum number of hours required to be eligible for the insurance.

Second, the industry could commit to a fair treatment of customers practice of not signing up a client for a CPI product unless there was a strong probability that the client would be paid out if he/she was ever to make a claim.

Third, because a consumer's status changes as his/her life evolves, it is possible that a client may be eligible for a CPI product at the time of onboarding; but then their status changes at some point and they become ineligible. Banks do not have the data to monitor such developments, so CAFII could articulate a consumer responsibility expectation that clients should understand their coverage and notify their provider if their status changes.

Another Board member is of the view that CAFII's emphasis in dealing with the coming FCAC appropriateness guideline should instead be on educating the FCAC on the controls and compliance functions that exist in CAFII member institutions offering CPI, with the intention being to persuade the FCAC that the appropriateness guideline does not need to apply to CPI.

The FCAC may be focused on parts of the banking sector which are more lightly regulated and which have lighter controls over sales activities than is the case for CPI. CPI is strongly monitored and controlled, there is strong internal compliance oversight of the activities around these products, and it is strongly regulated by federal and provincial regulators. As such, the FCAC's objectives around customer protection are already being met by the existing framework. An additional appropriateness guideline is therefore not necessary for CPI; and having an appropriateness guideline for CPI would be problematic, in any event, given that these products are sold by unlicensed agents who cannot provide advice to consumers.

Briefing Note

CAFII EOC Meeting 29 October 2020—Agenda Item 5(c) Feedback From CAFII Board on Briefing Note on Quebec Bills 53 and 64

Purpose of this Agenda Item – *Update*

To share a briefing paper presented to the Board on two Quebec Bills.

Background Information

CAFII has produced a report on Quebec Bills 64 and 53. This is an update on the key learnings, and the CAFII Board's feedback on the document. The Board requested that CAFII make a submission on Bill 64 that supports CLHIA/ACCAP's submission, with a focus on the importance of harmonization of the Bill with PIPEDA; and the concerns around the onerous "informed consent" provisions of the Bill.

CAFII has consulted with CLHIA on this matter and they have informed us that the deadline for submissions was 30 September, 2020, so at this time CAFII cannot make a submission, but we will continue to monitor this file carefully.

Recommendation / Direction Sought – *Update / Discussion*

This is an update item only.

Attachments Included with this Agenda Item

One attachment.

**Agenda Item 5(c)
October 29/20 EOC Meeting**

Briefing Document on Quebec Bills 53 and 64

Quebec Bill 53

Key Features of Bill 53

Quebec Bill 53, the “Credit Assessment Agents Act,” regulates credit agencies, their commercial practices and their interactions with Quebec consumers. “With this bill, Quebec moves from being an underperformer to a high achiever in credit agency oversight in Canada,” said Geneviève Mottard, CPA, CA, President, Chief Executive Officer and Secretary of the Quebec CPA Order. “By finally giving consumers control over their credit files, the government is helping them take charge of their personal finances in a meaningful way.”¹

Comments by CAFII Director from Desjardins André Langlois on Bill 53

In an August 26, 2020 email to CAFII Co-Executive Directors Brendan Wycks and Keith Martin, CAFII Director André Langlois suggested that Bill 53 is part of a broader initiative by the Quebec government to provide a new framework for the credit industry, specifically by developing a three-layer framework through Bill 53, Bill 64, and work on digital identity. Desjardins supports this Bill and the broader initiative around a new framework.

CLHIA Will Not Make a Submission on Bill 53

In an 25 August, 2020 email to CAFII Co-Executive Director Brendan Wycks, CLHIA/ACCAP staff executive Michèle Hélie advised that while CLHIA would be making a submission on Quebec Bill 64, there was no interest among its members to make a submission on Bill 53; hence, no submission on the Bill will be made by the Association.

Quebec Bill 64

Key Provisions of Bill 64

A table detailing the key provisions of Bill 64 and its relationship to federal Personal Information Protection and Electronic Documents Act (PIPEDA) can be found in Appendix B.

Law Firm Gowling reports that

On June 12, 2020, the Quebec government introduced the highly anticipated Bill 64, An Act to modernize legislative provisions as regards the protection of personal information. In presenting the Bill, the province's Minister of Justice, Sonia LeBel, noted that Quebec's current data protection laws have become outdated and no longer adequately regulate new and evolving digital technologies.

¹ Source: <https://cpaquebec.ca/en/media-centre/news-and-publications/credit-agency-oversight-c-quebec-takes-the-lead/>

Ms. LeBel noted that the current pandemic has highlighted the central role that information technology now occupies in our society, and that our laws must stay apace of this reality.²

Law firm McCarthy Tétrault notes that 25 years ago, Quebec had the country's most progressive privacy laws (known as the Private Sector Act), but that is no longer the case:

However, subsequent legislation adopted by the federal government and technological advances in recent years have meant that the Private Sector Act is no longer adapted to the current context and, moreover, is not consistent either with Canadian federal laws and equivalent legislation in other provinces, nor with the European Union's General Data Protection Regulation ("GDPR"), which seems increasingly to be becoming a de facto international standard of reference.³

Most of the changes being introduced in Bill 64 appear to be inspired by the existing European legislation (GDPR) and, in fact, law firm Torys refers to the new regime as "European-style privacy obligations for both the public and private sector."⁴

The following is a high-level summary of the key provisions of Bill 64, Quebec's new privacy legislation, provided by law firm McCarthy Tétrault:

- Significant administrative sanctions may be imposed by the Commission d'accès à l'information ("CAI") of up to \$10 million or 2% of worldwide turnover, whichever is greater, and penal sanctions of up to \$25 million or 4% of worldwide turnover.
- The possibility for a company to be sued for damages.
- The requirement to appoint a Chief Privacy Officer and establish governance policies and practices.
- New obligations when a data breach incident occurs.
- New rights for individuals with regard to data portability, the right to be forgotten, and the right to object to automated processing of their personal information.
- The creation of an exception allowing the disclosure of personal information in the course of a business transaction without the prior consent of the individuals concerned.
- The removal for businesses of the possibility of communicating, without the consent of the persons concerned, nominative lists and new rules governing the use of personal information for commercial or philanthropic prospecting purposes.
- The obligation for companies to ensure that pre-established settings for their technology products and services ensure the highest levels of confidentiality by default. (privacy by design).⁵

² Source: <https://gowlingwlg.com/en/insights-resources/articles/2020/quebec-to-introduce-the-most-punitive-privacy-laws/>.

³ Source: <https://www.mccarthy.ca/en/insights/blogs/techlex/bill-64-overhaul-quebecs-privacy-law-regime-implications-business>

⁴ Source: <https://www.torys.com/insights/publications/2020/06/quebecs-bill-64-proposes-sweeping-changes-to-its-privacy-regime>

⁵ Source: <https://www.mccarthy.ca/en/insights/blogs/techlex/bill-64-overhaul-quebecs-privacy-law-regime-implications-business>

Law firm Gowling notes that the new law, if passed, has very high penalties for non-compliance:

Private sector entities will be subject to fines ranging from \$15,000 to \$25,000,000, or an amount corresponding to 4% of worldwide turnover for the preceding fiscal year, whichever is greater. This represents a dramatic increase from the current maximum penalty of \$50,000, and would make the Private Sector Act the most punitive privacy law in Canada—with a potential fine exceeding those available under the Competition Act, or the Anti-Spam Law, CASL.⁶

If passed into law, Bill 64 would also allow for private rights of action and punitive damages, whereby individuals could bring a claim for damages for injury resulting from unlawful infringement of a right conferred by the Private Sector Act. Bill 64 will also introduce a “privacy by design” approach where any enterprise which collects personal information must ensure that the good or service provide the highest level of confidentiality by default.

Gowling also reports that until now, Quebec has been one of the few Canadian jurisdictions where reporting of data security incidents has not been mandatory. While data breach notification has long been the subject of voluntary guidelines, Bill 64 will require that both public and private entities report incidents to both the Commission d'accès à l'information and to the persons whose data is affected where the incident “presents a risk of serious injury”.⁷

Bill 64 will also require that consent be “clear, free and informed” and given for specific purposes, one of the components that has caused some private sector companies to be concerned about the restrictions it will create on the use of personal information. Following the trend of including “right to be forgotten” provisions in privacy legislation, Bill 64 will afford Quebec individuals the right to demand the deletion of certain personal data.

Bill 64 also imposes more stringent requirements on enterprises or public bodies wishing to communicate personal information outside of Quebec. Before releasing personal information outside of the province, an entity will be required to conduct an assessment of privacy-related factors. Under Bill 64, both public and private sector entities who collect personal information using technology that allows a person to be “identified, located or profiled” must first inform the person of the use of such technology and of the means available, if any, to deactivate the function that allows the person to be “identified, located or profiled”.⁸

⁶ Source: <https://gowlingwlg.com/en/insights-resources/articles/2020/quebec-to-introduce-the-most-punitive-privacy-laws/>.

⁷ Source: <https://gowlingwlg.com/en/insights-resources/articles/2020/quebec-to-introduce-the-most-punitive-privacy-laws/>.

⁸ Source: <https://gowlingwlg.com/en/insights-resources/articles/2020/quebec-to-introduce-the-most-punitive-privacy-laws/>.

Law firm McMillan feels that the following are some of the most onerous provisions of the new bill:

One of the Bill's most far-reaching provisions is the requirement that the cross-border communication of personal information be preceded by an informal assessment of privacy protection, taking into consideration a number of factors, namely: (i) the sensitivity of the information; (ii) the purposes for which it is to be used; (iii) the safeguards that would apply to it; and (iv) the legal framework 14 Sections 96 and 102 of Bill 64, adding the new section 4.1 to the Act and amending section 14. 15 Section 101 of Bill 64, amending section 11 of the Act. 16 Section 102 of Bill 64, adding the new section 12.1 to the Act. Page 7 McMillan LLP / mcmillan.ca LEGAL_34405436.2 applicable in the jurisdiction to which the information would be communicated. This requirement would apply to the processing of information outside of Québec, including storage and hosting.⁹

Next Steps in the Implementation of Bill 64

Law Firm Torys opines that

It is unlikely that the proposed amendments outlined in Bill 64 would come into effect prior to 2022. Bill 64 has been referred to the consultation stage at the Québec National Assembly, which is currently in recess and only comes back in September, and the transitional provisions provide that Bill 64 will come into force one year after the date of its assent. That said, organizations doing business in Québec should be prepared for significant changes to Québec's privacy landscape in the near future.

If passed, several of the amendments will make compliance with Québec's regime more onerous than complying with the federal regime. This means that organizations governed by PIPEDA that previously voluntarily complied with substantially similar provincial regimes may need to look more closely at the jurisdictional analysis. Many organizations will need to assess the risks, costs and benefits of either bringing their nationwide compliance program in line with the new Québec requirements, designing different protocols for Québec, or taking a firm stance that they are not subject to provincial laws and therefore do not need to depart from their existing data management program.¹⁰

Comments by CAFII Director from Desjardins André Langlois on Bill 64

In an August 26, 2020 email to CAFII Co-Executive Directors Brendan Wycks and Keith Martin, André Langlois, CAFII Board member from Desjardins Insurance, that Bill 64 has been strongly influenced by developments in Europe which has a different privacy model than most of North America, and was further influenced by the significant customer data breach that occurred in late 2019 at Desjardins. Mr. Langlois noted that "Option Consommateurs" is in favour of Bill 64, and is mostly supportive of the provisions that require that data breaches be publicly disclosed. Desjardins is supportive of the Bill and its key provisions.

⁹ Source : https://www.mcmillan.ca/Files/223787_Bill_64_-_Modernizing_Quebec's_Privacy_Regime.pdf

¹⁰ Source: <https://www.torys.com/insights/publications/2020/06/quebecs-bill-64-proposes-sweeping-changes-to-its-privacy-regime>.

Industry Association of Canada (IIAC) Expresses Deep Concerns around Bill 64

The Investment Industry Association of Canada, or IIAC, has said that it is deeply concerned about certain provisions of Bill 64,¹¹ saying that elements of the Bill are inconsistent with privacy regulations and “are also extremely burdensome, virtually impossible to operationalize, and do not provide individuals with meaningful protection of their data.”

The Association was especially concerned about the Bill’s requirements around informed consent:

Given the vast amount of data that is collected and used in increasingly novel and unanticipated ways as technology evolves, the principle of obtaining specific and detailed consent for each use of data that may be involved in the provision of a product or service, is unworkable and ineffective, and would be virtually impossible to operationalize.

On this matter, IIAC goes on to state

Rather than requiring specific consent, we believe that it is more appropriate to rely on the principle of accountability, both for the entity for which the data is being acquired and used, and entities that are used by that entity for processing the data. These principles underpin the federal PIPEDA legislation, negating the need for specific consent for transfers for processing purposes only, and for transborder data flows. It is more appropriate to create a consent exemption that relates to standard business practices for the provision of the services for which the client has contracted. This framework for client data protection is consistent with the reasonable expectations of clients.

IIAC further states in its submission that

A foundational premise of the Personal Information Protection and Electronic Documents Act (“PIPEDA”), is the recognition of the need to balance individuals’ privacy rights with business needs for the use of data, in order to encourage the development of the digital economy and technological solutions that are critical to creating a strong and competitive economy. Unlike PIPEDA and the European General Data Protection Regulation (“GDPR”), the Bill does not articulate a similar foundational objective.

We urge the Québec Government to work with the Department of Innovation, Science and Economic Development Canada (“ISED”) and the relevant provincial regulators in British Columbia, Alberta, and Ontario to develop a harmonized privacy regulatory framework applicable across Canada. Currently, the provincial and federal privacy laws are relatively consistent in terms of content and results. Introducing inconsistencies increases uncertainty, creates inefficiencies, and increases the cost of compliance for Canadian entities operating within Canada, and foreign entities seeking to do business in Canada. A harmonized approach also facilitates a simplified interface with the GDPR and other international regulatory regimes that recognize the regulatory approach of other jurisdictions in respect of compliance with their own regulation.

¹¹ The article about this submission can be found at: <https://www.investmentexecutive.com/news/from-the-regulators/quebec-privacy-bill-gets-pushback-from-iiac/>.

Appendix A—Source Documents Cited in this Report

Author	Topic	Source link
McCarthy Tetrault	Bill 64: An Overhaul of Quebec's Privacy Law Regime – Implications for Business	https://www.mccarthy.ca/en/insights/blogs/techlex/bill-64-overhaul-quebecs-privacy-law-regime-implications-business
Gowling	Quebec to Introduce the Most Punitive Privacy Laws in Canada—With Fines of up to \$25 Million	https://gowlingwlg.com/en/insights-resources/articles/2020/quebec-to-introduce-the-most-punitive-privacy-laws/
Investment Executive	Quebec Privacy Bill Gets Pushback from IIAC	https://www.investmentexecutive.com/news/from-the-regulators/quebec-privacy-bill-gets-pushback-from-iiac/
Investment Industry Association of Canada	IIAC Submission to the National Assembly of Quebec	https://iiac.ca/wp-content/uploads/IIAC-response-to-Bill-64.pdf
Torys	Quebec Bill 64 Proposes Sweeping Changes to its Privacy Regime	https://www.torys.com/insights/publications/2020/06/quebecs-bill-64-proposes-sweeping-changes-to-its-privacy-regime
McMillan	Modernizing Quebec's Privacy Regime	https://www.mcmillan.ca/Bill-64-Modernizing-Quebecs-Privacy-Regime?utm_source=Mondaq&utm_medium=syndication&utm_campaign=LinkedIn-integration%0d
KPMG	How to Assess Suitability and Appropriateness under the IDD	https://blog.kpmg.lu/how-to-assess-suitability-and-appropriateness-under-the-idd/?utm_source=Mondaq&utm_medium=syndication&utm_campaign=LinkedIn-integration

Appendix B—Torys Table of Key Features of Quebec Bill 64 and Their Alignment with Federal PIPEDA

Key Feature Summary	Alignment with PIPEDA	Private Sector	Public Sector
<ul style="list-style-type: none"> Consent. Bill 64 proposes more onerous consent requirements. In particular, consent “must be requested for each [specific] purpose, in clear and simple language and separately from any other information provided to the person concerned.” Further, the bill requires express consent with respect to “sensitive” personal information. Information is considered “sensitive” if, due to its nature or the context of its use or communication, it entails a high level of reasonable expectation of privacy. For minors under 14 years of age consent must be obtained from the person having parental authority. 	<ul style="list-style-type: none"> The proposal to separate consent for each purpose from other terms significantly departs from PIPEDA. The expectation of express consent for sensitive information and parental consent for minors is consistent with existing interpretations and practice under PIPEDA, although drafted more explicitly. 	✓	✓
<ul style="list-style-type: none"> Service provider exemption. Organizations may, without the consent of individual, disclose information to a third party “if the information is necessary for carrying out a mandate or performing a contract of enterprise or for services” as long as the mandate is in writing and a written agreement outlines accountability measures around the personal information that is shared, including a description of the service provider’s safeguards and an obligation on the service provider to notify the controlling organization’s privacy officer of actual or attempted confidentiality violations. 	<ul style="list-style-type: none"> This aligns with PIPEDA, although the federal regulator has recently pushed against service provider sharing without consent. 	✓	✓ ¹
<ul style="list-style-type: none"> Business transaction exemption. Organizations may share information without prior consent for the purpose of carrying out a commercial transaction. 	<ul style="list-style-type: none"> This is similar to PIPEDA’s business transaction exemption. 	✓	N/A
<ul style="list-style-type: none"> Secondary purposes and internal analytics exemptions. Organizations may use personal information without prior consent for: 	<ul style="list-style-type: none"> There is no analogous exemption under PIPEDA³. 	✓	✓

<ul style="list-style-type: none"> Secondary purposes. The bill introduces a secondary purpose exemption, which enables organizations to use personal information for a secondary purpose, as long as: <ul style="list-style-type: none"> The use is for purposes consistent (i.e., direct and relevant) with the purposes for which it was collected²; or It is used clearly for the benefit of the person concerned. Internal Research and Analytics. This exemption allows organizations to use personal information without prior consent as long as use is necessary for internal research or production of statistics, and the information is de-identified. 			
<ul style="list-style-type: none"> Professional contact information exclusion. The bill introduces a full exclusion for professional contact information, defined as “personal information concerning the performance of duties within an enterprise by the person concerned, such as the person’s name, title and duties, as well as the address, email address and telephone number of the person’s place of work”. 	<ul style="list-style-type: none"> This is more generous than PIPEDA, which excludes business contact information only when used to communicate with an individual for business purposes. 	✓	✓
<ul style="list-style-type: none"> Mandatory privacy impact analysis. Under the bill, organizations are required to conduct privacy impact assessments of any information system or electronic services delivery project that involves personal information. 	<ul style="list-style-type: none"> This is not a PIPEDA requirement, but has long been required of federal public sector agencies. 	✓ ⁴	✓
<ul style="list-style-type: none"> Cross-border adequacy and accountability requirements. Bill 64 requires organizations to conduct an assessment of privacy-related factors prior to transferring or disclosing any personal information outside Québec. Further, Bill 64 requires that 	<ul style="list-style-type: none"> PIPEDA contains no rules prohibiting cross-border personal information transfers. When transferring personal information cross border, the organization that transfers the personal information remains accountable. Post 	✓	✓

<p>information may only be communicated outside of Québec if:</p> <ul style="list-style-type: none"> the organization's assessment establishes that it would receive the same level of protection as afforded under Québec's privacy laws⁵; and the organization enters into a written agreement with the entity to which the information is disclosed or transferred to ensure accountability. 	<p>the OPC's <i>Equifax</i> findings and consultations on cross-border transfers, OPC requires organizations to be able to "demonstrate accountability", including through contractual means similar to those outlined in Bill 64. However, PIPEDA does not contain an adequacy requirement.</p>		
<ul style="list-style-type: none"> Mandatory breach notification and record keeping. Under Bill 64, organizations will be required to notify the Commission and impacted individuals, and may notify any relevant third-party, if the organization believes there is a "confidentiality incident" involving personal information that presents a "risk of serious injury"⁶. Organizations would also be required to maintain a register of confidentiality incidents. 	<ul style="list-style-type: none"> This requirement in line with PIPEDA's breach notification. Interestingly, the bill does not require breach notification within 72 hours (as required under GDPR) but "promptly". Further unlike PIPEDA's requirement to keep records for a minimum of 2 years, there is no minimum prescribed period under the bill. 	✓	✓
<ul style="list-style-type: none"> New monetary administrative penalties. Through this new procedure, the Commission would be required to issue a notice urging the organization to remedy a breach without delay and provide it with the opportunity to submit observations and documents. Thereafter, Bill 64 provides the Commission with the ability to impose monetary administrative penalties of up to \$10,000,000 or, if greater, the amount corresponding to 2% of the organization's worldwide turnover for a variety of contraventions, including for failure to report a breach, processing of personal information in contravention of the Québec private sector privacy act, and failure to inform individuals about automated processing. Such fines would be subject to review by the Commission's oversight division and further review before the Court of Québec. 	<ul style="list-style-type: none"> The OPC currently does not have such enforcement powers. 	✓	X
<ul style="list-style-type: none"> Penal regime. The bill proposes a penal regime whereby any organization that: 	<ul style="list-style-type: none"> Fines under PIPEDA are more limited in scope and quantum. Under 	✓	X

<ul style="list-style-type: none"> Collects, holds, communicates to third parties or uses personal information in contravention of the Act, Fail's to report a breach, Attempts to re-identify an individual without authorization where their information is de-identified, Impedes the Commission's investigation, Fails to comply with an order of the Commission <ul style="list-style-type: none"> Commits an offence and is liable to a fine of: \$15,000 to \$25,000,000, or, if greater, the amount corresponding to 4% of the organization's worldwide turnover for the preceding year. Currently, only the Attorney General of Québec can institute penal proceedings for breaches of the act and fines are, in most circumstances, limited to a maximum of \$10,000 for a first offence. 	<p>PIPEDA, failure to comply with the breach notification provisions is an offence and organizations may be liable for fines up to \$100,000.</p>		
<ul style="list-style-type: none"> Penal regime for public sector organizations. The Commission can impose two tiers of fines, as part of a finding of a penal offence: <ul style="list-style-type: none"> Between \$3,000 and \$30,000; or Between \$15,000 and \$150,000. 	<ul style="list-style-type: none"> Under the federal <i>Privacy Act</i> the maximum penalty fine is a \$1000. 	X	✓
<ul style="list-style-type: none"> Private right of action. Bill 64 introduces: <ul style="list-style-type: none"> statutory damages for "injury resulting from the unlawful infringement of a right" under the Québec private or public sector privacy acts, unless it results from superior force (i.e. force majeure). In addition, private sector organizations 	<ul style="list-style-type: none"> Under PIPEDA, individuals can apply to the Federal Court after receiving the OPC's report or notice that an investigation is discontinued. The Federal Court, on a <i>de novo</i> review, can award damages. However, there are no statutory punitive damages under PIPEDA. 	✓	✓

<p>may be liable pursuant to the <i>Civil code of Québec</i>⁷; and</p> <ul style="list-style-type: none"> statutory punitive damages of at least \$1000 where the infringement is “intentional or results from a gross fault”. Accordingly, organizations may face increased exposure to privacy-related claims, including claims for punitive damages, and increased class action risks if Bill 64 is adopted as drafted. 			
<ul style="list-style-type: none"> Increased director liability. Currently, Québec’s private sector privacy act provides that directors and representatives of an organization who ordered, authorized, or consented to an offence, are liable for a penalty under the penal provisions. While this would remain the case, under Bill 64, directors would bear the risk of liability for substantially increased fines. 	<ul style="list-style-type: none"> Directors may be found guilty of an offence and fined up to \$100,000 if they knowingly fail to report breaches. 	✓	N/A
<ul style="list-style-type: none"> Rights in relation to automated decision making. An organization that uses personal information to render a decision based exclusively on automated processing of the information must, at the time of or before the decision, inform the person concerned. On request, the organization must also inform the person of the personal information used to render the decision, the reasons, and the principal factors that led to the decision, and the person’s right to correct the information. The organization would also be required to allow the person to submit observations for review of the decision. 	<ul style="list-style-type: none"> PIPEDA currently does not provide data subjects such a right. The federal government is considering introducing such a right as part of its efforts to modernize PIPEDA (for more read our bulletin here). 	✓	✓
<ul style="list-style-type: none"> Rights in relation to profiling. An organization that collects personal information using technology that has the ability to identify, locate or profile⁸ the person whose information is collected must inform the individual of such technology and the means available, if any, to deactivate such technology. 	<ul style="list-style-type: none"> PIPEDA currently does not provide data subjects such a right. The federal government is considering introducing such a right as part of its efforts to modernize PIPEDA. 	✓	✓

<ul style="list-style-type: none"> Right to be forgotten. Bill 64 would require organizations to destroy or anonymize personal information when the purposes for which it was collected or used are achieved. Bill 64 would also provide individuals with the right to require organizations to cease disseminating personal information or to “de-index” any hyperlink attached to their name, that provides access to information by technological means, provided that conditions set forth in the Québec private sector privacy act are met. 	<ul style="list-style-type: none"> The federal government’s proposal to modernize PIPEDA has noted that the federal government, at this time, will not be considering the “right to be forgotten” because the matter is currently before the Federal Court. 	✓	X
<ul style="list-style-type: none"> Right to request source of information. Organizations that collect personal information from another person or organization, when requested, must inform the person of the source of the information. 	<ul style="list-style-type: none"> PIPEDA does not provide for such a right. 	✓	X
<ul style="list-style-type: none"> Right to data portability. Under the current Québec public and private sector privacy acts, every organization that holds a file on another person must, at their request, confirm its existence and communicate to them any personal information that concerns them. Bill 64 would broaden this right by allowing the person to obtain a copy of the information in a written and intelligible transcript. The bill also allows individuals to request that organizations provide them with computerized personal information in a structured, commonly used technological format. The organization would also be required to release, at the individual’s request, such information to any person or body authorized by law to collect such information. 	<ul style="list-style-type: none"> PIPEDA currently does not provide data subjects such a right. The federal government is considering introducing such a right as part of its efforts to modernize PIPEDA. 	✓	✓
<ul style="list-style-type: none"> Privacy by design. Bill 64 introduces a “privacy by design” approach that has been adopted under GDPR (Article 25). Bill 64 would require organizations that collect personal information when offering a technological product or service to ensure that the parameters provide the “highest level 	<ul style="list-style-type: none"> There is no such requirement under PIPEDA. However, the federal regulator has been pushing organizations to consider adopting a privacy by design philosophy. 	✓	X

of confidentiality” by default, without intervention by the person concerned.			
<ul style="list-style-type: none"> Data protection officer. Organizations are required to designate a person “exercising the highest authority” who would be accountable for the organization’s protection of personal information and to ensure that the organization complies with its statutory privacy law requirements. 	<ul style="list-style-type: none"> This is similar to PIPEDA’s stipulation to designate an individual who is accountable for its compliance with the Act, and to GDPR’s requirement to designate a data protection officer under Article 37. 	✓ ⁹	✓ ¹⁰
<ul style="list-style-type: none"> Heightened data governance. To enhance transparency, Bill 64 requires organizations to establish and implement governance policies and practices regarding personal information that ensure that must ensure the protection of the information. The bill requires organizations to establish and implement governance policies and practices regarding personal information. Additionally, organizations that collect personal information through technological means are obligated to publish a “confidentiality policy” on their website. The content and terms of such a policy will be determined by a government regulation. 	<ul style="list-style-type: none"> This is in line with PIPEDA’s openness and accountability requirements but goes further by prescribing that organizations publish those policies on their websites. There is no comparable requirement under PIPEDA to draft and publish a “confidentiality policy”. 	✓	✓

Briefing Note

CAFII EOC Meeting 29 October 2020—Agenda Item 5(d)(i)

Impact of COVID-19 On CAFII Members, Credit Protection Insurance and Travel Insurance—Insights Gained From October 15/20 CAFII/AMF “Industry Issues Dialogue,” Including Position On Denial Of Trip Cancellation Travel Insurance Claims Where Insured Has Also Received An Airline Or Other Travel Services Provider Voucher

Purpose of this Agenda Item – Update

To provide an update on learnings from the 15 October, 2020 CAFII Industry Issues Dialogue virtual session with AMF staff executives.

Background Information

This is an update on learnings from the 15 October, 2020 CAFII Industry Issues Dialogue with AMF staff executives, including comments made by Frédéric Pérodeau that unless the language in a travel insurance contract specifically rules out paying a claim for a cancelled trip where an airline or other travel services provider has provided the insured consumer with a voucher as compensation, the AMF’s policy stance is that the fact that the insured has received such a voucher is not sufficient to deny a trip cancellation claim.

Recommendation / Direction Sought – Update

This is an update item only.

Attachments Included with this Agenda Item

No attachments.

Briefing Note

CAFII EOC Meeting 29 October 2020—Agenda Item 5(d)(ii)

Impact of COVID-19 On CAFII Members, Credit Protection Insurance and Travel Insurance—Insights Gained From CAFII/CLHIA/THIA Weekly Calls Re Impact Of COVID-19 On Travel Insurance Industry

Purpose of this Agenda Item – Update

Update on learnings from the weekly calls on travel medical insurance between CAFII, CLHIA, and THIA.

Background Information

This is an update on learnings the weekly calls between CAFII, CLHIA, and THIA, including regular discussions which CLHIA and THIA have (separately) with Global Affairs Canada.

Recommendation / Direction Sought – Update

This is an update item only.

Attachments Included with this Agenda Item

No attachments.

Briefing Note

CAFII EOC Meeting 29 October 2020—Agenda Item 6(a) Draft Minutes of September 22/20 EOC Teleconference Meeting

Purpose of this Agenda Item – *Approval*

Approval of EOC Minutes.

Background Information

The EOC is being asked to approve the 22 September, 2020 EOC meeting minutes.

Recommendation / Direction Sought – *Approval*

This is a request for approval.

Attachments Included with this Agenda Item

One attachment.

CAFII Executive Operations Committee Teleconference-Only Meeting

Tuesday, September 22, 2020, 2:00 to 4:00pm

Minutes

EOC Present:

Martin Boyle, BMO Insurance, EOC Chair
John Lewsen, BMO Insurance
Charles MacLean, RBC Insurance
Sharon Apt, Canada Life Assurance
Emily Brown, Sun Life Financial
Pete Thorn, TD Insurance
Karyn Kasperski, RBC Insurance
Marie Nadeau, National Bank Insurance
Kamana Tripathi, TD Insurance
Tony Pergola, ScotiaLife Financial, Treasurer (for part)
Vikram Malik, Sun Life Financial
Shawna Sykes, CUMIS/The Co-Operators
Monika Spudas, Manulife Financial
Dana Easthope, Canadian Premier Life
Brad Kuiper, ScotiaLife Financial
Charles Blaquiere, Valeyo
Isabelle Choquette, Desjardins Insurance
Andrea Stuska, TD Insurance
Moir Gill, TD Insurance (for part)
Anuraj Bains, CIBC Insurance
Penelope Cordogiannis, RBC Insurance
Ben Gray, CIBC Insurance
Anita Mukherjee, RBC Insurance
Afzal Baig, TD Insurance

Also Present:

Brendan Wycks, *Co-Executive Director*
Keith Martin, *Co-Executive Director*
Albert Lin, CAFII/Managing Matters

1. Welcome, Call to Order, and Priority Matters

1.a. Call to Order

M. Boyle called the meeting to order at 2:02 p.m.

1.b. EOC Chair Succession

M. Boyle, EOC Chair, advised that due to heavy work commitments and after two years of service as EOC Chair and Board Secretary, he felt that it was time for him to pass this responsibility to another EOC member, although he intended to remain an active regular member of the EOC.

Brendan Wycks invited EOC members who were interested in the position to let CAFII's Co-Executive Directors know.

It was also reported that Mr. Boyle has some policy documentation recommendations related to the process for performance reviews and compensation adjustments for the Association's Co-Executive Directors, which he would speak to at the upcoming October 15 CAFII Board meeting with a view to bringing a policy forward for approval at the Board's subsequent meeting on December 1/20.

2. Consent Items

The following consent Items that do not require any discussion or decisions were tabled:

- Consultations/Submissions Timetable
- Regulatory Update
- Regulator and Policy-Maker Visit Plan
- Summary of Board and EOC Action Items
- Summary of Survey Results Providing Feedback On August 25/20 CAFII Webinar

3. Financial Management Matters

3. a. CAFII Financial Statements as at August 31/20

Treasurer T. Pergola provided a summary of CAFII's financial position as at 31 August, 2020, noting that some of the lower expenses being incurred relative to the budget were due to timing issues, while other lower expenses were due to activities (such as travel and receptions) that were cancelled due to the COVID-19 pandemic. While CAFII's revenues in 2020 were lower than anticipated due to some Associates that we believed would join the Association not doing so, the marked reduction in expenses more than offset the lower revenue, leading to a higher than budgeted year-to-date surplus. The current level of financial reserves is 31% of annual operating expenses, well within the 25% to 50% range that the Association targets.

3.b. Forecast For CAFII 2020 Fiscal Year as at August 31/20

Treasurer T. Pergola noted that the Association currently forecasts a year end surplus of \$57,000, which is well above the original budgeted surplus of \$25,000.

3.c. Critical Path For Development Of 2021 CAFII Operating Budget

B. Wycks reported that the time had arrived to begin work on developing the 2021 CAFII operating budget. Mr. Wycks and K. Martin both noted that the budget process would be more challenging this year, as assumptions would need to be made around the level of expenses related to travel and receptions, which would be dependent upon the emerging situation around the COVID-19 pandemic. It was possible that the Board would need to be presented with budget options based on a best case versus worst case assumptions. Mr. Wycks noted that a critical path for the development of the budget had been circulated, with a first step being the submission by Committee Chairs of their 2021 budget requests. The Critical Path would also be tabled at the upcoming 15 October, 2020 Board meeting.

4. Committee Updates

4.a. Research & Education

4.a.i. Research & Education Committee-Recommended New Proposal For CAFII 2020 Consumer Research With Pollara Strategic Insights

Research & Education Committee Chair A. Stuska provided an overview of a new/updated 2020 research proposal around a consumer survey by Pollara Strategic Insights. She noted that the proposal had been significantly revised based on valuable feedback from the R&E Committee, and was now focused on two components. First, consumers would be surveyed on their use of various channels including digital channels since the emergence of the COVID-19 pandemic, and this would be compared with the results on these questions from the 2018 CPI consumer survey. Secondly, Pollara would identify consumers who were in the market for a mortgage, line of credit, or loan, and who were considering credit protection insurance as part of this debt obligation. These consumers would be asked about their channel intentions including willingness to use digital means, to see whether the post-COVID-19 adoption of digital channels was temporary or an enduring shift.

It was noted that if this research proposal was not supported, there would likely not be another opportunity to engage in research in 2020. It was also noted that research was part of the 3-5 year CAFII strategic plan, with research viewed in the plan as a key component to enrich discussions with regulators, to produce strong consumer-friendly content for the website, and to develop opportunities for positive media stories.

After due deliberation and discussion, the EOC approved making a recommendation to the Board that the Pollara research proposal dated September 14, 2020 be approved and this research initiative move forward.

[Action Item: Share EOC recommendation to proceed with Pollara research with the Board; K. Martin, 15 October, 2020.]

4.b. Media Advocacy

4.b.i. CAFII Motion Graphic Website Video On Credit Protection Critical Illness Insurance and Disability Insurance

Media Advocacy Chair C. Blaquiére reported that CAFII's website consultant Operatic Agency (formerly RankHigher) was working on the visuals for a motion graphic video on CPI critical illness insurance and disability insurance. K. Martin noted that this was more complicated to develop than previous videos because it was more difficult to edit the draft, as more effort was required to produce a motion graphic video.

4.b.ii. CAFII Website Enhancement To Effect Board Request Re Facilitating Consumers' Filing Of Credit Protection Insurance and Travel Insurance Claims With CAFII Members

K. Martin reported that the development of a new claims page that has links to the claims pages of CAFII members was nearly complete. A prototype would be circulated soon to CAFII EOC and Board members, for their final approval. There will be a link to the new website section embedded within the COVID-19 advisory pop-up on the landing page of the CAFII website, for the duration of the pandemic; and the new claims website section will be permanently available in the Tools and Resources section of the website.

[Action Item: Share motion graphic prototype with EOC members; K. Martin, 15 October/20.]

4.c. Market Conduct & Licensing

4.c.i. September 29/20 FSRA Life & Health Insurance Stakeholder Advisory Committee (SAC) Meeting On Transformation Of Current Unfair or Deceptive Acts or Practices (UDAP) Regulation Into A FSRA Rule

Market Conduct & Licensing Chair B. Kuiper noted that FSRA was engaged in consultations on its intention to transform a regulation on Unfair or Deceptive Acts or Practices (UDAP) into a FSRA rule. K. Martin noted that FSRA had a 29 September, 2020 Zoom meeting planned to discuss this change with its Sectoral Advisory Group (SAC) on life and health insurance, which Mr. Martin sits on as the CAFII representative. Mr. Martin noted that FSRA felt that the existing regulation was hard to interpret and implement, and because it was difficult to interpret, that could lead to a restraining of industry innovation. The intention in transforming the Regulation into a Rule was to address those issues.

K. Martin also updated the EOC on an emergent issue that had come up after the circulation of the agenda for this meeting. CAFII's Co-Executive Directors learned from former AMF staff executive Mylène Sabourin, who had recently joined Desjardins Insurance as its Chief Compliance Officer for Insurance and Wealth Management, that the AMF was currently making pre-consultation presentations to industry stakeholders on two Regulatory initiatives they were currently working on—one on updating the Sound Commercial Practices Guideline, which dates from 2013; the other on a new Regulation on the Complaints Handling Process and Dispute Resolution. CAFII has reached out to the AMF requesting that it be included on the list of stakeholders who will receive such a background and context-setting presentation, and the AMF has indicated it is most willing to do this and will be scheduling a presentation for CAFII shortly.

[Action Item: provide CAFII members with details around an AMF presentation on two regulatory consultation initiatives they are currently working on; K. Martin, 31 October, 2020.]

4.c.ii. FCNB Informal Consultation On Accident & Sickness Insurance-Related Changes To New Brunswick's Insurance Act

B. Wycks noted that David Weir of the FCNB, in an informal consultation request, had asked CAFII to provide its views on some questions he had in relation to life insurance and accident and sickness insurance-related changes being contemplated for the New Brunswick Insurance Act. Mr. Wycks noted that Market Conduct & Licensing Committee meetings would be arranged shortly for the purpose of making a CAFII submission to the FCNB, in response to this informal consultation, this Fall.

[Action Item: organize Market Conduct & Licensing Committee meetings and develop CAFII submission to the FCNB; B. Wycks, 23 October, 2020.]

4.c.iii. Recent CCIR Chair Transition/Succession

B. Wycks reported that Patrick Déry had stepped down as the Chair of the CCIR, to be replaced by BCFS executive Frank Chong. It was noted that this was an unusual time for such a transition as usually such CCIR Chair succession announcements are made in the summer, coming out of CCIR's June meeting.

4.d. Travel Medical Insurance Experts Working Group

A. Baig indicated that travel insurance issues continue to be monitored carefully and the situation is constantly evolving due to COVID-19. Some insurance companies are now offering COVID-19-specific travel insurance coverage, although the restrictions and limitations have to be carefully reviewed.

4.e. Networking & Events

J. Lewsen provided an update on the two recent Summer 2020 webinars which CAFII had staged, along with an upcoming webinar with Western Canada Superintendent of Insurance officials on 29 September, 2020. K. Martin noted that one of the benefits of these webinars is that they are being well-attended by senior regulators from across the country, with up to 20 regulators joining each of the first two webinars.

4.e.i. Upcoming September 29/20 Webinar On COVID-19's Impact Upon Insurance Policy and Regulation: Now And Post-Pandemic

K. Martin reported that nearly 80 people had already registered for the 29 September, 2020 webinar with Western Canada Superintendent of Insurance officials.

4.e.ii. Plans For Repurposed CAFII 2020 Annual Members' Luncheon As October 21/20 Webinar, With FCAC Deputy Commissioner Frank Lofranco As Guest Speaker/Presenter

B. Wycks reported that the repurposed 2020 CAFII Annual Members' Luncheon would now be a webinar with FCAC Deputy Commissioner Frank Lofranco presenting. Final details are being worked out with the FCAC and further information will be circulated in short order.

[Action Item: provide registration and connection details for the 21 October, 2020 CAFII Annual Members' Luncheon Webinar to CAFII Member representatives; B. Wycks, 11 October, 2020.]

5. Recent and Upcoming Strategic and Regulatory Initiatives

5.a. September 14/20 CAFII Get Acquainted and Dialogue Virtual Meeting With Frank Lofranco, FCAC Deputy Commissioner, Supervision and Enforcement, and FCAC Staff Executive Colleagues

B. Wycks provided with an update on the recent, highly successful meeting with Frank Lofranco, FCAC Deputy Commissioner, Supervision and Enforcement at which there was the opportunity for CAFII to make a presentation to the FCAC along with a dialogue on matters of mutual interest.

5.b. CAFII Board Member Proposal Related To FCAC's Upcoming "Appropriateness Test" (Related To Product Suitability)

5.b.i. Interim Update From FCAC On Development of "Appropriateness Provision"

B. Wycks reported that the FCAC's Bradley Schnarr, Manager, Regulatory Guidance and Supervisory Coordination will be leading an effort to develop an appropriateness guideline for FIs, and at this time the FCAC has not yet determined if the guideline will apply to credit protection insurance products.

5.b.ii. Work Being Done Within CAFII Member Companies To Prepare For FCAC Appropriateness Test/Provision

EOC Members were reminded that they have been asked to find out what work has already been done on the FCAC appropriateness test within their own organizations; and to share that information within the confines of the CAFII EOC.

5.c. Briefing Documents Being Developed For CAFII Board and EOC Members On Federal Financial Consumer Protection Framework (Bill C-86) And Quebec Bills 64 and 53

K. Martin reported that CAFII management has been asked to produce a Briefing Document on the FCAC's intention to develop an "appropriateness test" for financial products, along with a separate Briefing Document on Quebec Bills 64 and 53.

M. Boyle recommended that as part of CAFII's efforts on the FCAC appropriateness test, that the Working Group on CPI Best Practices be resuscitated, with the appropriateness test added to the mandate of the Working Group. It was also noted that CAFII will reach out to the CBA to find out what work it has done on this file.

[Action Item: resuscitate the Working Group on CPI Best Practices and add the FCAC appropriateness test to its mandate; K. Martin, 31 October, 2020.]

[Action Item: reach out to the CBA to find out what work it has done on the FCAC appropriateness test; B. Wycks, 8 October, 2020.]

5.d. AMF Response To CAFII "Creative Solutions" Submission To AMF On Degree To Which Industry Can Meet Its Requirements Around RADM's Application To Credit Card-Embedded Insurance Benefits

K. Martin noted that CAFII management had recently asked former AMF staff executive Mylène Sabourin, who had joined Desjardins Insurance in a senior compliance role in April 2020 after four years at the AMF, whether she was surprised that we still had not heard back from the AMF on the "creative solutions" submission we had made to it on 7 July, 2020.

Ms. Sabourin had opined that the delay was not surprising given the scheduling challenges of the summer months; the complications produced by the COVID-19 pandemic; and the AMF's being responsive to industry requests to slow down regulatory activities temporarily while industry was focused on responding to customer needs in the context of the pandemic.

5.e. CCIR/CISRO FTC Working Group Response To CAFII Letter Responding To Its Request That CAFII Undertake A Third Party-Conducted Survey And Provide A Report On CAFII Member-Utilized Incentives and Compensation Models

B. Wycks noted that the CCIR had recently responded favourably to CAFII's letter of 2 July, 2020 by indicating that it was prepared to go directly to CAFII members to gather information on incentives and compensation models. Mr. Wycks felt that the CCIR cancelled its recent 2 September, 2020 scheduled meeting with CAFII on the Fair Treatment of Customers because the letter indicating that CAFII could not share this information had been forgotten about, and when it was brought to the attention of the CCIR it realized that the meeting was no longer required.

5.f. CAFII Quarterly CPI Benchmarking Study With RSM Canada

K. Martin noted that these quarterly studies were now being produced without delay and in accordance with the timelines outlined by RSM Canada.

5.g. Impact Of COVID-19 On CAFII Members, Credit Protection Insurance and Travel Insurance

5.g.i. CAFII/Industry Position On COVID-19-Driven Trip Cancellation Travel Insurance Claims Where Insured/Claimant Has Also Received An Airline Or Other Travel Services Provider Voucher

B. Wycks noted that the decision by airlines to offer vouchers instead of refunds for cancelled trips had produced challenges for the travel insurance industry, which was being blamed for not settling claims in these situations. However, if the industry did settle such claims, it would be permitting consumers to "double dip." He noted that this matter would be included on the agenda for the 1 October, 2020 next meeting of the CAFII Directors and Designates COVID-19 Information-Sharing Group for a preliminary discussion; and subsequently on the agenda for the 15 October, 2020 CAFII Board meeting to see if the Board would like CAFII to take a formal industry Association position on this issue.

5.g.ii. Travel Insurance-Related Comments Made and Actions Proposed by Quebec's Justice Minister On August 19/20

B. Wycks noted that Quebec's Justice Minister Simon Jolin-Barrette had made inappropriate and inaccurate comments about the travel insurance industry, and that CAFII was monitoring this situation. The CLHIA (ACCAP) had written to the relevant committee of Quebec's National Assembly to set the record straight.

5.g.iii. Next Meeting of CAFII Directors and Designates COVID-19 Information-Sharing Group: Thursday, October 1/20

K. Martin advised that an abbreviated meeting of the CAFII Directors and Designates COVID-19 Information-Sharing Group would be held on 1 October, 2020, the agenda items for which would include the travel voucher issue; the recently filed class action suit against TD insurance on travel insurance claims denials; and the Canada-US border closure.

5.g.iv. Insights Gained From CAFII/CLHIA/THIA Weekly Calls Re Impact Of COVID-19 On Travel Insurance Industry

B. Wycks provided an update on insights gained from the weekly meetings involving CAFII, CLHIA, and THIA, on COVID-19's impact upon the travel insurance industry, noting that one key learning was that Global Affairs Canada does not intend to soften or withdraw its travel advisories despite pressure from the airline industry to do so.

5.h. Launch of Saskatchewan RIA Advisory Committee: Next Steps

B. Wycks reported that CAFII and CLHIA have been invited to propose candidates for the Saskatchewan RIA Advisory Committee. He noted that CAFII's proposed candidates will be:

Moira Gill, TD Insurance;
Shawna Sykes, CUMIS/The Co-operators; and
Charles MacLean or Penelope Cordogiannis, RBC Insurance.

6.a. Governance Matters

6.a. Draft Minutes of August 25/20 EOC Teleconference Meeting

The draft minutes of the 25 August, 2020 EOC teleconference meeting were approved.

6.b. Plans for October 15/20 CAFII Board Meeting and Immediately Preceding "Industry Issues Dialogue" With AMF Staff Executives

B. Wycks provided an update on the upcoming 15 October, 2020 Board meeting and the immediately preceding Industry Issues Dialogue with AMF staff executives, all of which will be conducted virtually.

7. Other Business

7.a. EOC Feedback on CAFII "Weekly Digests"

The EOC provided positive feedback on the Weekly Digests, and there was support for further refining the weekly summaries by grouping related articles into themed sections, which should also be reflected in the Table of Contents.

Briefing Note

CAFII EOC Meeting 29 October 2020—Agenda Item 6(b) Draft Minutes of October 15/20 CAFII Board Teleconference Meeting

Purpose of this Agenda Item – *Approval*

Approval of Board Minutes.

Background Information

The EOC is being asked to endorse the 15 October, 2020 Board meeting minutes for presentation to the Board for approval at its next meeting on 1 December, 2020.

Recommendation / Direction Sought – *Approval*

This is a request for endorsement/approval.

Attachments Included with this Agenda Item

One attachment.

BOARD TELECONFERENCE MEETING
CANADIAN ASSOCIATION OF FINANCIAL INSTITUTIONS IN INSURANCE
Thursday, October 15, 2020
MINUTES

Board Present:	Chris Lobbezoo	RBC Insurance, <i>Chair (remainder after Board slate approved)</i>
	Nicole Benson	Valeyo (Canadian Premier Life Insurance)
	Paul Cosgrove	Assurant Canada
	Janice Farrell-Jones	TD Insurance
	Zack Fuerstenberg	ScotiaLife Financial
	Andre Langlois	Desjardins
	Peter McCarthy	BMO Insurance
	Sophie Ouellet	Sun Life
	Mica Sweet	CIBC Insurance
	Wally Thompson	Manulife Financial
	Peter Thompson	National Bank Insurance
	Kelly Tryon	CUMIS/The Co-operators

Regrets:	Louie Georgakis	The Canada Life Assurance Company
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Also Present:	Martin Boyle	BMO Insurance, <i>Board Secretary and EOC Chair</i>
	Tony Pergola	ScotiaLife Financial, <i>Treasurer</i>
	Keith Martin	CAFII Co-Executive Director
	Brendan Wycks	CAFII Co-Executive Director
	Albert Lin	Managing Matters

1. Call to Order and Meeting Confirmation

C. Lobbezoo welcomed all to present to this meeting of the CAFII Board of Directors and called the meeting to order at 2:02 p.m. Albert Lin acted as Recording Secretary.

M. Boyle, Board Secretary, confirmed that notice of the meeting had been sent to all Directors in accordance with the Association's By-Law; and that a quorum of Directors was present on the phone.

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

1.a Approval of Agenda

C. Lobbezoo noted that the agenda for this meeting had been significantly adjusted from previous meetings' agendas, as all items that would not require a discussion or decision had been changed to "Read Only" status. That change had been made at his request, Mr. Lobbezoo advised, in order to limit the need for verbal updates and reduce the overall length of the meeting, especially given that this meeting was occurring immediately following an Industry Issues Dialogue with AMF staff executives which was of 1.5 hours duration itself.

On a motion duly made, seconded and unanimously carried

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

2. Consent Items

C. Lobbezoo noted that Consent item documents had been provided for each of the six (6) Consent Agenda items; and it was presumed that Directors had reviewed them in advance of this meeting.

On a motion duly made, seconded and unanimously carried

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

And further, IT WAS RESOLVED that the minutes of the CAFII Board of Directors meeting held June 9, 2020 be and are adopted in the form presented, and that a copy of these minutes be signed and placed in the minute book of the Corporation.

3. Governance Matters

3.a. Appointment of New Board Secretary/EOC Chair

Mr. Lobbezoo advised that after two years of exemplary service, Board Secretary and EOC Chair Martin Boyle had recently announced his intention to step down from that CAFII Officer role.

It had been expected that a recommendation for a new Board Secretary and EOC Chair would be ready to be tabled at today's meeting, but that had turned out not to be the case, Mr. Lobbezoo advised. Therefore, recruitment and nomination efforts to identify a recommended successor to M. Boyle as Board Secretary and EOC Chair would continue; and an update will be provided to the Board as soon as that work has come to fruition.

This matter would also be discussed in the *in camera* session at the conclusion of the open portion of today's Board meeting, Mr. Lobbezoo advised, during which the document titled "Reverse Chronology of CAFII Officer Appointees, 2020 to 1997" would be used as a reference.

3.b. Documentation of CAFII HR Policy Re Co-Executive Directors Performance Review Process

M. Boyle advised that currently, there is no documented policy supporting CAFII's annual performance review process for its Co-Executive Directors. As a final task to be completed before he steps down from the role of Board Secretary and EOC Chair, Mr. Boyle indicated that he intends to bring forward a draft policy in this area, which will include an appeal process for the Co-Executive Directors, for the Board's review and approval at its subsequent 1 December, 2020 meeting.

3.c. Proposed CAFII 2021 Board and EOC Meeting Dates; and Updated Board Hosting Rotation

B. Wycks highlighted the key features of the proposed schedule of 2021 CAFII Board and EOC Meeting dates, which had been included in the meeting materials. He noted that it was not clear if there would be any in-person meetings or CAFII Receptions permitted in 2021 due to the ongoing COVID-19 pandemic. If there are not, then the Board meeting hosting rotation becomes less important as all meetings will be held virtually.

4. Financial Management Matters

4.a. CAFII Financial Statements as at September 30/20

CAFII Treasurer T. Pergola provided an update of CAFII's finances as at September 30, 2020, noting that the Association had somewhat reduced revenues as compared to budget due to some Associates not renewing, and some anticipated new Associates not joining the Association. However, the reduction in the Association's expenses was even greater due to cancelled receptions and the lack of travel due to COVID-19; and, as a result, the Association was in line to have a significantly larger 2020 fiscal year surplus than originally budgeted.

On a motion duly made, seconded and unanimously carried

IT WAS RESOLVED that CAFII Financial Statements as at September 30/20 be and are approved in the form presented.

4.b. Forecast For CAFII 2020 Fiscal Year as at September 30/20

CAFII Treasurer T. Pergola provided an update on the Association's 2020 fiscal year forecast, highlighting an expected increase in the surplus at the end of the year and that the level of financial reserves was currently at 38% of annual operating expenses, well within CAFII's target range of 25% to 50% of annual operating expenses.

4.c. Critical Path For Development of 2021 CAFII Operating Budget; and Related Budget Assumptions

CAFII Treasurer T. Pergola highlighted the key timelines in the Critical Path for the development of the Association's 2021 operating budget.

With respect to budget assumptions for 2021, it was noted that it will be difficult to develop next year's operating budget because it is not clear what travel or meeting restrictions will be in place later in 2021 due to COVID-19.

As such, Mr. Pergola proposed, he and CAFII management will present two or more budget options to the Board at its subsequent 1 December, 2021 meeting.

Board Chair C. Lobbezoo observed that it would not be necessary or appropriate for the Association to seek a member dues increase in 2021, but that the increased surplus achieved in 2020 would position the Association well for future regulatory initiatives and efforts.

5. Strategic and Regulatory Matters

5.a. Research & Education Committee

5.a.i. EOC-Recommended New Proposal For CAFII 2020 Consumer Research With Pollara Strategic Insights

K. Martin provided an overview of the new proposal for CAFII 2020 consumer research with Pollara Strategic Insights. He noted that the revised proposal has two components.

First, data will be collected on consumers' willingness to use digital means to interact with CPI providers since the onset of the pandemic, and those data points will be compared to existing data we collected on how consumers interacted with CPI providers in 2018, to see what shift, if any, has occurred.

Second, consumers who are in the market for a mortgage or Home Equity Line of Credit (HELOC), and who are aware of CPI and are considering obtaining it, will be asked for their views on how they prefer and intend to interact with CPI providers. This second part of the study is to get a sense of future trends around channel preference and digitization.

Several Board members voiced strong support for the updated Pollara proposal, which was recommended by the Research & Education Committee and the EOC.

On a motion duly made, seconded and unanimously carried

IT WAS RESOLVED that the Pollara Strategic Insights' proposal for CAFII 2020 Consumer Research dated September 14, 2020 be approved.

[Action Item: Sign a contract with Pollara Strategic Insights based on its research proposal dated September 14, 2020; K. Martin, 1 December 2020.]

[Action Item: Create a CAFII Working Group on the questions to be asked in the Pollara consumer research; begin work with Pollara on the development and implementation of the project, K. Martin, 1 December 2020.]

5.b. Feedback on October 15/20 "Industry Issues Dialogue" with AMF Staff Executives

In providing feedback on the Industry Issues Dialogue with AMF staff executives which had occurred earlier that afternoon, Board members felt that the session had yielded beneficial insights and produced good dialogue. In the 90 minutes available, the AMF and CAFII each made two brief presentations, followed by approximately 10 minutes of Q&A after each presentation.

CAFII was able to present statistics on how underinsured Canadians are with respect to life insurance, and the risk that poses for them. CAFII also shared with the AMF some enhancements that had recently been made to the CAFII website, including the creation of a new claims page that provides links to the claims sections of CAFII members' websites.

In the Industry Issues Dialogue, it was also valuable to hear Frederic Perodeau, the AMF's Superintendent, Client Services and Distribution Oversight, state the regulator's official position that unless a travel insurance contract expressly states in its terms and conditions that a trip cancellation claim will not be paid in cases where an insured consumer has received a voucher from an airline or other travel services provider, then such trip cancellation claims must be paid despite the fact that the consumer will, in effect, be "double dipping."

5.c. Briefing Document on Federal Bill C-86, including Financial Consumer Protection Framework (FCPF); and Related Development of "Appropriateness Guideline"

K. Martin summarized the Briefing Document developed for the Board on Bill C-86, including what we have learned about the FCAC's plans to develop an "Appropriate Guideline" as part of the Financial Consumer Protection Framework (FCPF) which Bill C-86 supports.

The Board discussed how to proceed with respect to the FCAC's Appropriateness Guideline, and a desire was expressed to obtain information from the CBA on what it was planning to do on this issue. It was also recommended that the EOC should look at this issue and offer its recommendations on how best to proceed.

[Action Item: Get EOC engaged in the issue of an FCAC Appropriateness Guideline, B. Wycks/K. Martin, 1 December 2020.]

5.d. Briefing Document on Quebec Bills 53 and 64

K. Martin highlighted from the Briefing Document prepared for the Board on Quebec Bill 53, which creates new regulatory oversight over credit bureaus in the province; and Quebec Bill 64, which creates new rules around data privacy. It was noted that CLHIA/ACCAP would be making a submission on Bill 64, and it was felt that CAFII should, if feasible and timely, align with CLHIA/ACCAP on this file and plan to make its own submission to the Quebec Government. The key points to make are the challenges of having to deal with differing federal PIPEDA legislation and Quebec's own privacy legislation; and the onerous "informed consent" provisions of Bill 64.

[Action Item: Connect with CLHIA/ACCAP and investigate the feasibility and timeliness of making a CAFII submission to the Quebec government on Bill 64, K. Martin, 1 December 2020.]

5.e. Possible CAFII/Industry Position on COVID-19-Driven Trip Cancellation Travel Insurance Claims Where Insured/Claimant Has Also Received An Airline Or Other Travel Services Provider Voucher

The Board discussed whether or not CAFII should take an official industry Association position on the issue of denying a trip cancellation travel insurance claims where the insured has also received a travel voucher from an airline or other travel services provider. The Board noted that this issue has been ongoing for months, and travel insurance providers have already made decisions about how they wish to handle this issue. As such, it was felt that developing an official CAFII position at this time would appear odd, and not add value. As such, it was agreed not to pursue this matter further at this time.

5.f. Confidentiality Around Sharing of Highlights of CAFII Directors and Designates COVID-19 Information-Sharing Group Discussions

C. Lobbezoo noted that in recent CAFII dialogues with insurance regulators and policy-makers, mention has been made of the existence of a CAFII Directors and Designates COVID-19 Information-Sharing Group. However, the meetings of that Group are not minuted and they are premised upon being strictly confidential. Concern expressed by Board members that the comfort level of members of the COVID-19 Information-Sharing Group with sharing insights and initiatives freely within the confines of that Group could be compromised if even high level themes from the Group's discussions were to be shared with anyone outside the Group.

As such, it was agreed that neither the existence of nor any high level discussion themes related to the CAFII Directors and Designates COVID-19 Information-Sharing Group should be shared with anyone outside the membership of the Group.

5.g. Proposal Re Review and Possible Updating of CAFII Strategic Plan

K. Martin recalled that CAFII's 3-5 year CAFII Strategic Plan was approved by the Board in February 2018, nearly three years ago. The key elements of the Strategic Plan remain very relevant today, and continue to be implemented, including strengthening regulatory relationships; developing independent research to share with regulators and to enrich content of the Association's website; and increasing our media profile.

However, with the passage of time, it might be advisable for the Board to review and possibly update the Strategic Plan, particularly in the context of industry changes that may be caused by the COVID-19 pandemic.

The Board concurred and it was agreed by assent that in early 2021, a dedicated, special purpose CAFII Board Virtual Meeting should be convened to review the CAFII Strategic Plan and determine if any adjustments to it are required.

[Action Item: Schedule and organize a Dedicated, Special Purpose CAFII Board Virtual Meeting in early 2021 to review and possibly update CAFII's 3 to 5 Year Strategic Plan, B. Wycks/K. Martin, 31 December, 2020.]

6. Meeting Termination

On a motion duly made, seconded and unanimously carried IT WAS RESOLVED that this Meeting of the CAFII Board of Directors be terminated at 3:40 p.m.

Briefing Note

CAFII EOC Meeting 29 October 2020—Agenda Item 6(c)

Documentation of CAFII HR Policy Re Co-Executive Directors Performance Review Process

Purpose of this Agenda Item – *Update only*

To update the EOC on a proposal from Martin Boyle to document the process for the annual performance evaluations of CAFII's Co-Executive Directors.

Background Information

Martin Boyle has written an email to CAFII's Co-Executive Directors proposing to document formally the process for the annual performance evaluations of the Co-Executive Directors.

Martin Boyle will be providing an overview of this proposal, and intends to table the document for Board approval at its 1 December, 2020 meeting.

Recommendation / Direction Sought – *Update Only*

This is an update only, for the EOC, on an initiative that Martin Boyle is proposing to develop and bring to the Board at its 1 December, 2020 meeting.

Attachments Included with this Agenda Item

No attachments.

Briefing Note

CAFII EOC Meeting 29 October 2020—Agenda Item 7(a) Proposal Re Review and Possible Updating of CAFII Strategic Plan

Purpose of this Agenda Item – *Update*

CAFII's 3-5 Year Strategic Plan was approved nearly 3 years ago. The Board was asked at the 15 October, 2020 Board meeting to advise as to whether it should be reviewed and possibly updated in the near future.

Background Information

The key elements of the CAFII 3-5 Year Strategic Plan remain very relevant today, and continue to be implemented, including strengthening regulatory relationships; developing independent research to share with regulators and to enrich content on our website; enhancing our consumer-facing website; and increasing our media profile.

However, with the passage of time, it might be advisable for the Board to review the Strategic Plan and determine whether it needs refreshing, particularly in the context of industry changes that may be produced due to the COVID-19 pandemic.

The Board has asked for the CAFII 3-5 Year Strategic Plan to be reviewed and possibly updated at a Special Purpose Board Teleconference Meeting to be held early in 2021.

Recommendation / Direction Sought – *Update / Discussion*

This is a read only update.

Attachments Included with this Agenda Item

One attachment.

CAFII Strategic Options— Recommended Directions for Board Approval

February 2018

Recommend Board Approval of Areas to Invest In—Unanimous or High Support

Board Approval Requested

Maintain and Build on Regulatory Strength

Develop a Significant Research Program

Assertive Communication and Networking Program with Influencers

Continue to Invest in Website

Develop Long Term, Proactive Regulatory Positions

Recommend Board Approval of Areas to Not Invest In—Little Support

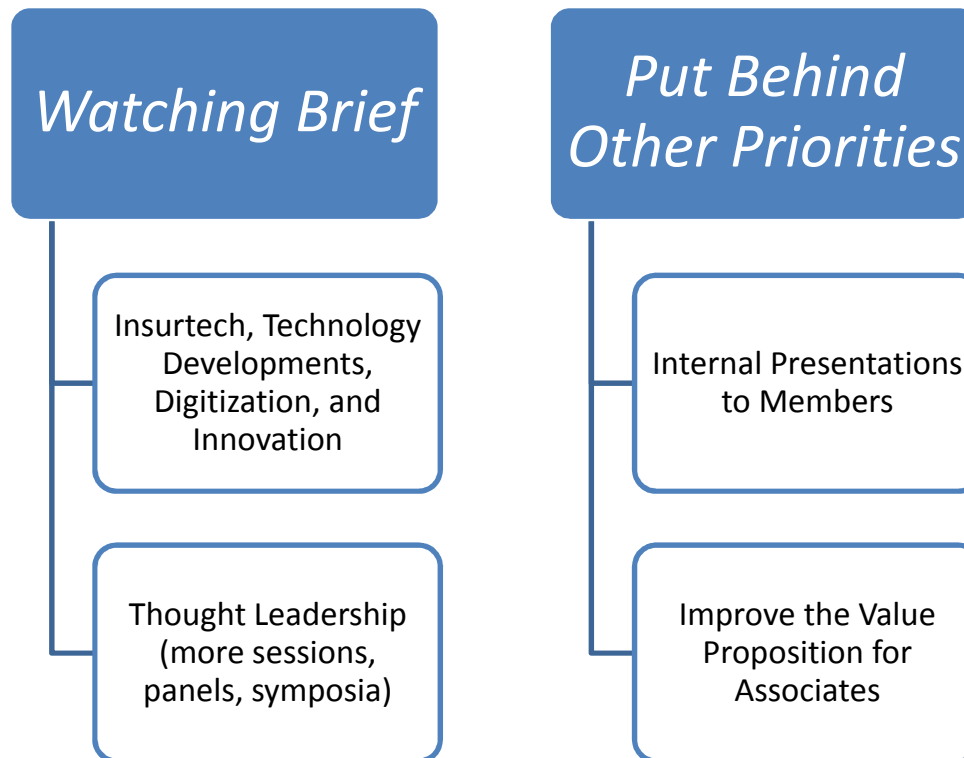
Board Approval Requested

More CAFII Committees

Develop a Newsletter

Develop a Certification Program

Recommend Board Approval of Areas that are Medium Priorities



Board Approval Requested

Recommend Board Approval of Proposed Core Strategic Prioritization Statement

Core Statement

Board Approval Requested

CAFII's **mission** remains the same:

CAFII will represent, promote and advance the interests of financial institutions in insurance and affiliated organizations. Its express goal is fostering an open and flexible marketplace that is efficient and effective and allows consumers an expanded choice in the purchase of insurance products and services. CAFII will work with other industry associations, where appropriate, to ensure public policy supports a legislative and regulatory environment that is healthy for future growth.

In support of this mission, CAFII's fundamental strategic priority will be to develop outstanding relationships and communications with insurance regulators and policy-makers across Canada. To promote this objective, we will meet in-person with representatives of these groups at least once every 18 months.

We will deepen these relationships by embarking on a significant research program that will provide us with interesting and relevant content to share, and which can gain us public profile. Our research program will dovetail with a proactive element to our regulatory focus through which we will seek to educate and influence key constituents about our long-term objectives.

Our research findings and our regulatory expertise will also serve as the foundation for an assertive communications and networking strategy through which we will meet on an ongoing basis with key influencers including policy-makers, senior bureaucrats, politicians, thought leaders, Association leaders, academics and others with whom we will share our research insights and key messages. As part of our efforts to increase our focus on and relevance to consumers and to heighten our public profile, we will continue to invest in the CAFII website and explore expanding and enhancing our media profile.

In addition to these strategic priorities there are other initiatives that CAFII will continue to promote, but as lower priorities. We will keep a watching brief on Insurtech, Technology Developments, Digitization, and Innovation, and on increasing our thought leadership through additional meetings and presentations in our areas of expertise. We will leverage our regulatory expertise and research with presentations to internal audiences within our membership; and we will explore ways to enhance the value proposition of being an Associate, with the objective of attracting more to join CAFII.

Thank You

Briefing Note

CAFII EOC Meeting 29 October 2020—Agenda Item 7(b)

AMF Response to CAFII's July 7/20 "Creative Solutions" Submission to AMF on Degree to Which Industry Can Meet Its Requirements Around RADM's Application to Credit Card-Embedded Insurance Benefits.

Purpose of this Agenda Item – *Update*

This is an update on a submission made to the AMF on credit card-embedded insurance benefits.

Background Information

CAFII has still not received a response from the AMF on its 7 July, 2020 submission on "creative solutions" to the RADM's application to credit card-embedded insurance benefits. In a 11 September, 2020 meeting with former AMF staff executive Mylène Sabourin, who has joined Desjardins as a compliance executive, she said that a combination of challenges around summer schedules along with the impediments created by COVID-19 were the most probable reasons for the delayed response.

Recommendation / Direction Sought – *Update*

This is a read only update.

Attachments Included with this Agenda Item

No attachments.

Briefing Note

CAFII EOC Meeting 29 October, 2020—Agenda Item 7(c) CAFII Quarterly CPI Benchmarking Study With RSM Canada

Purpose of this Agenda Item – Discussion

The Board was asked for feedback on the RSM Canada Quarterly Benchmarking Study.

Background Information

The Board asked CAFII to launch the new CAFII Quarterly CPI Benchmarking Study with RSM Canada as a replica of the CBA study, and not delay its launch with any enhancements initially. After the study had several versions released and the process was well-understand and not new, it was felt that data enhancements could be explored.

Three studies have now been released, covering a nine-month period. CAFII would recommend that the time is right for the launch of a “CAFII Quarterly CPI Benchmarking Study Data Enhancement Working Group.” However, CAFII members are already stretched with work responsibilities—so the Board may wish to discuss whether it feels that there is capacity in the membership to embark on this initiative now.

In an *in camera* discussion on this matter at the 15 October Board meeting, it was agreed that at some point the report could be expanded, and it was felt that this should be reviewed again at a future Board meeting.

Recommendation / Direction Sought – Update Only

This is a read only update.

Attachments Included with this Agenda Item

No attachments.

Briefing Note

CAFII EOC Meeting 29 October, 2020—Agenda Item 7(d) Launch of Saskatchewan RIA Advisory Committee

Purpose of this Agenda Item – *Update*

This is an update on the development of a Saskatchewan RIA Advisory Committee.

Background Information

CAFII and CLHIA have been invited to propose candidates for the Saskatchewan RIA Advisory Committee.

CAFII's proposed candidates will be:

Moira Gill, TD Insurance;

Shawna Sykes, CUMIS/The Co-operators; and

Charles MacLean, RBC Insurance.

Recommendation / Direction Sought – *Update Only*

This is a read only update.

Attachments Included with this Agenda Item

No attachments.