

May 8, 2018

Mr. Brian Mills
Chief Executive Officer and Superintendent of Financial Services
Financial Services Commission of Ontario
5160 Yonge Street, Box 85
Toronto, Ontario M2N 6L9

Subject: FSCO's Draft 2018 Statement of Priorities

Dear Mr. Mills:

I am writing on behalf of the Canadian Association of Financial Institutions in Insurance (CAFII) with respect to FSCO's Draft 2018 Statement of Priorities. Given that matters related to the Financial Services Tribunal (FST) are out-of-scope for our Association and its members, our comments focus on general thematic feedback and FSCO Priorities 1 through 4 only.

General Thematic Feedback

CAFII congratulates FSCO for maintaining – throughout the Commission's final period of existence as the province's financial services regulator – a central focus on achieving the optimal/right balance between consumer protection and fostering a competitive and dynamic financial services marketplace, marked by innovation.

In that connection, we support FSCO's overarching goals for 2018-19, namely: (i) empowering consumers; (ii) fostering innovation; and (iii) providing leadership on the national financial services regulatory stage.

We concur with the tenor and content of the Draft Statement's transmittal letter with respect to the commitment, creativity and drive of FSCO's staff and the achievements of the organization over the past 20 years. CAFII has always valued its relationships and interactions with FSCO's capable staff. We thank the Commission for the open and transparent approach it takes in communicating with the industry, and for its commitment to principles-based regulation and stakeholder consultation on key regulatory matters.

Create Greater Consumer Awareness and Understanding of Their Rights and Responsibilities and How to Protect Themselves

CAFII agrees that empowering consumers by enhancing Ontarians' financial literacy is an important priority; and that to generate sustainable, long-term gains in this area, initiatives should have a proportionate focus on consumers' responsibilities as well as their rights. Part-and-parcel of enhancing the fair treatment of consumers is raising their level of financial literacy.

CAFII supports FSCO's investments in public education initiatives around consumer financial literacy. Consumer education around financial literacy is a shared, multi-stakeholder responsibility and something in which many industry stakeholders are actively involved. While consumers are ultimately responsible for their purchase decisions, governments and regulators such as FSCO have an important role to play, alongside the industry, in providing education which can help consumers better understand the benefits and limitations of products and improve their financial literacy.

With respect to the imminent Superintendent's Treating Consumers Fairly (TCF) Guideline, we were pleased to see that the April 3/18 transmittal message, by which FSCO released the draft TCF Guideline to stakeholders for consultation, stated that the Commission will be taking specific steps to ensure alignment and coherence between Ontario's TCF Guideline and the CCIR's "Guidance: Conduct of Insurance Business and Fair Treatment of Customers." It is of the utmost importance to CAFII members that the two documents be harmonized to the maximum degree possible, in order to achieve the benefits of a consistent, clear, and uniform standard for both consumers and the industry.

With regard to any new expectations of the industry which may be introduced in the finalized TCF Guideline, we ask that a reasonable period of time for implementation be provided, with a minimum of 90 days provided for adjusting to new regulations; and that a longer period of at least six to nine months be built-in for implementing changes that require modifications to IT systems or processes.

Be Proactive With Respect to Industry Transformation and New Technologies

CAFII strongly supports FSCO's commitment to reassess and realign its processes over the coming year, in order to find ways to be more responsive to innovation in its regulated sectors. Our Association stands ready to meet with FSCO representatives, at the Commission's convenience, to offer suggestions on what becoming more responsive to innovation – while at the same time maintaining strong consumer protection – would look like from the perspective of alternate channel distributors of life and health insurance.

CAFII believes that the future of the life and health insurance industry will be marked by continued innovation and an increase in consumer demand for electronic commerce and other alternate forms of distribution. Consumers continue to demand greater access to product information, sales, servicing, and claims through digital channels; and we believe these channels will play an increasingly important role in meeting the needs of Ontarians.

We believe that regulatory structures should foster a harmonized, flexible, and open marketplace where consumers are able to choose how and where to obtain product information, communicate with distributors, and transact throughout the full life cycle of a financial services product, including insurance. Regulation should embrace the role of all insurance channels in meeting the insurance needs of consumers. In that connection, it is important that regulatory frameworks help to foster and support the ongoing growth and development of technology-enabled, alternate distribution channels.

FSCO leadership in this area, through the CCIR, should include reviewing and updating regulatory requirements which were designed for traditional paper-based and personal interaction sales practices, to ensure that they do not create obstacles for meeting consumers' needs in the digital space. The regulatory framework should focus on the quality of consumer outcomes regardless of the mode of interaction or the delivery channel.

We also encourage FSCO to move Ontario forward on the legislative and/or regulatory changes necessary to permit electronic beneficiary designations and electronic termination of insurance contracts, where both the insurer and the individual insured agree to those options.

Achieve A Higher Degree of National Harmonization, Supervisory Cooperation, and Jurisdictional Participation

CAFII congratulates FSCO for its commitment to playing an increasingly important leadership role in national co-ordinating bodies such as CCIR and CISRO. That commitment and successful, nationally harmonized initiatives which result will provide an excellent example for FSRA, as successor regulator, to emulate and serve as a strong signal that it should maintain and strengthen FSCO's legacy in this area.

CAFII believes that the present moment is an ideal opportunity for the members of CCIR and CISRO to demonstrate and act on their determination that regulators achieve a consistent level of consumer protection and industry best practices across all jurisdictions in the country, by establishing nationally harmonized expectations for all jurisdictions through a national Fair Treatment of Consumers Guideline. CAFII recommends that FSCO use this as a specific example, in its 2018 Statement of Priorities, of an opportunity to show leadership in establishing a nationally harmonized approach on a critically important initiative.

This example will then complement the example used under the General Insurance Statistical Agency "to coordinate simultaneous thematic and insurer specific reviews across jurisdictions, to ensure that insurance customers are being treated fairly through the country." There is no point measuring jurisdictions using the same data points in the Annual Statement on Market Conduct, if the expectations set out are different across jurisdictions. In that same vein, CAFII thanks FSCO, as a leader at the CCIR table, for its commitment to ongoing improvements to the Annual Statement on Market Conduct; and to using the data generated to focus on the intended consumer protection outcomes.

Support The Implementation of The Financial Services Regulatory Authority of Ontario

CAFII strongly supports FSCO's commitment in this area and its resolve to act on that commitment, as achieving a seamless transition from FSCO to FSRA, for all regulated sectors, is an important priority which will bring significant benefits for both consumers and businesses which operate in the regulated sectors.

Conclusion

CAFII appreciates the opportunity to comment on FSCO's Draft 2018 Statement of Priorities and we look forward to continued communication and input on policy matters. Should you require further information from CAFII or wish to meet with representatives of our Association at any time, please contact Brendan Wycks, CAFII Co-Executive Director, at brendan.wycks@cafii.com or 647-218-8243.

Sincerely,



Peter Thorn
Board Secretary and Chair, Executive Operations Committee

ABOUT CAFII

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

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

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

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