

March 7, 2017

Ms. Louise Gauthier  
Chair, CCIR Fair Treatment of Consumers (FTC) Working Group  
c/o CCIR Secretariat  
5160 Yonge St., Box 85  
Toronto, ON M2N 6LN

**Re: CCIR's Draft "Guidance: Conduct of Insurance Business and Fair Treatment of Customers"**

Dear Ms. Gauthier:

The Canadian Association of Financial Institutions in Insurance (CAFII) thanks the CCIR for the productive dialogue which occurred in our February 21/18 meeting with you, other CCIR FTC Working Group members, and representatives from CISRO; and for the invitation to provide written input on the initial draft of the "Guidance: Conduct of Business and Fair Treatment of Customers."

We have kept our comments mainly to high-level observations at this time, based on our understanding from the CCIR Secretariat that – given the short turnaround time to provide feedback by March 7 – you are looking for stakeholders largely to provide "fatal flaw" feedback.

However, in the interests of supporting clear and accurate communication, we have also provided some housekeeping/wording feedback on the Draft Guidance in Appendix A to this letter, to help improve the document's clarity and enhance reader understanding.

Positives about the Draft "Guidance: Conduct of Insurance Business and Fair Treatment of Customers"

- CCIR has engaged CISRO as an unofficial partner at the table; and the two bodies are working collaboratively on the Guidance.
- It is an important initiative for protecting consumers and furthering the industry's understanding of regulators' expectations.
- It is principles-based and not prescriptive. CAFII supports this approach because it provides insurers and distributors with the latitude needed to determine what needs to be put in place to meet the expected FTC outcomes. However, the principles-based approach should be consistent throughout the document via use of words such as "expects" and "should" as opposed to "must" and "shall." In instances where use of "must" or "shall" is necessary, specific reference should be made to the applicable legislation/regulation(s) which warrants their use and the fact that statutory provisions take precedence over the CCIR Guidance in such situations.
- It constitutes a good first draft. However, it will be important to ensure that the final draft is clear, easily understandable, and of high quality given the importance of this initiative.

Concerns about the Draft "Guidance: Conduct of Insurance Business and Fair Treatment of Customers"

- It gives rise to the potential for inconsistencies and a lack of coherence and alignment with provincial/territorial-specific FTC guidance and regulations. More specifically, the document does not define the position of the CCIR's Guidance within the Canadian framework for co-operative market conduct supervision or what is expected of the industry if there are inconsistencies.

It will be critically important, as per the Preamble, that all provinces/territories which develop their own FTC guidance based upon the CCIR's Guidance ensure strong alignment with it. We are concerned that without such alignment, the industry will be subject to additional and unnecessary compliance obligations and expenses, the costs of which will ultimately be borne by consumers.

- The International Association of Insurance Supervisors (IAIS) has always observed that implementation of its Insurance Core Principles (ICPs) will depend upon the particular circumstances of each jurisdiction. So while the Draft Guidance is based upon IAIS' ICP 19, it does not appear to reference the regulations, requirements, or conditions in Canada or address/account for particular circumstances in our country. This could give rise to concerns in circumstances not contemplated by ICP 19: e.g. alternate distribution of insurance in Canada, notably with respect to products that have been specifically designed and tailored to meet the needs of particular consumer segments.
- Given that the intent is to have this Guidance finalized and promulgated in the Fall of 2018, there is the potential that there will be insufficient time to complete a project of this magnitude and significance in a thorough manner. The aggressive timeline may therefore have a negative impact upon the quality and usefulness of the Guidance.

#### Reiteration of Feedback Provided in February 21/18 Meeting

- One word should be added to the opening sentence of the Preamble to make it more precise and accurate, as follows: *In Canada, the conduct of business framework in insurance is largely the exclusive authority of the provinces and territories.* That small edit will allow the sentence to reflect the fact that with respect to Authorized Insurance Activities, bank distributors of Authorized Insurance Products are also subject to federal regulation under the Bank Act and the Insurance Business (Banks and Bank Holding Companies) Regulations.
- To signal that the Guidance is as relevant to group insurance as it is to individual insurance, the term "Policyholder" should be changed to "Policy/Certificate Holder" (in Disclosure to Policyholder, page 21).
- The word "Examination" holds a somewhat negative connotation when associated with Claims and Complaints; and therefore its use is not warranted. Ron Fullan suggested that the terms "Claims Handling and Settlement" and "Complaints Handling and Dispute Resolution" could be used instead. CAFII supports his recommendations (global application of those changes required in numerous places on pages 22, 23, and 17).

#### Conclusion

CAFII thanks the CCIR for the opportunity to provide input for your consideration in refining the Draft Guidance for its expected release in April for a public consultation period of 45 to 60 days. Should you require further information from CAFII or wish to meet with representatives of our Association at any time, please contact Brendan Wycks, our Co-Executive Director, at [brendan.wycks@cafii.com](mailto:brendan.wycks@cafii.com) or 647-218-8243.

Sincerely,



Peter Thorn  
Board Secretary and Chair, Executive Operations Committee

**Appendix A**

**CAFII-Proposed Housekeeping Edits To Improve Clarity Of Language And Understanding Of  
CCIR's Draft "Guidance: Conduct of Insurance Business and Fair Treatment of Customers"**

Page 6

- establish and implement policies and procedures on fair treatment of customers, as integral parts of their business culture;
- take into account a customer's disclosed circumstances when that customer receives advice before concluding insurance contracts;

Page 10

- have effective systems and controls in place and communicate clear strategies for selecting, appointing and managing ~~arrangements~~ **intermediaries** as part of their overall distribution plan;

Page 11

- **reporting** to the regulator recurring issues relevant to the regulator's assessment of the concerned intermediaries.

Page 12

Title: Customers outcomes and expectations

This section outlines the customers' outcomes that CCIR expects to be achieved by insurers and intermediaries, as the case may be, and ~~enunciates~~ **provides** CCIR's expectations ~~to for~~ **achieving** those outcomes.

CCIR expects ~~that~~ fair treatment of customers **to** be a core component of **the** governance and corporate culture of insurers and distribution firms.

Incorporating a fair treatment of ~~customer's~~ **customer**s culture requires . . .

Page 16

CCIR expects that distribution strategies are tailored to the product, take into account the interests of the target consumer groups and result in consistent consumer protections independently of the distribution model chosen.

Page 17

The information provided is sufficient to enable customers **to** understanding the characteristics of the product they are buying and help them understand whether and how it may meet their needs. To this end, the level of information required will tend to vary according~~ly~~ to the knowledge and experience of the typical customer for the products in question and the product's overall complexity.

- make ~~available~~ the information on their policies and procedures on claims and complaints **handling** publicly **available**.

Page 21

CCIR expects that policyholders are provided information **which** allow~~ing~~ing them to make informed decisions throughout the lifetime of their contracts.

Page 22

- Mechanisms are in place to review claims disputes within the insurer to promote fair ~~play~~ **treatment** and objectivity in the decisions.

Page 23

- Establish policies and procedures to deal ~~in a fair manner~~ with complaints which they receive **in a fair manner** . . . .

Page 24

The protection of personal information is a key issue for insurers and intermediaries. The sustainability of their operations depends, among others **things**, on public confidence in this regard. . . .

- Demonstrating that privacy protection is part of the organization's culture and strategy, through measures such as training ~~to~~ **of** employees that promotes . . .

**Appendix B**

**ABOUT CAFII**

The Canadian Association of Financial Institutions in Insurance (CAFII) is a not-for-profit industry Association dedicated to the development of an open and flexible insurance marketplace. CAFII was established in 1997 to create a voice for financial institutions involved in selling insurance through a variety of distribution channels. CAFII 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.

CAFII is currently the only Canadian Association with members involved in all major lines of personal insurance. CAFII's full 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 Solutions, Canadian Premier Life Insurance Company, and The CUMIS Group Ltd. In addition, CAFII has 12 Associates that support the role of financial institutions in insurance.

CAFII 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 its members' common ground.

CAFII's diverse membership enables our Association to take a broad view of the regulatory regime governing the insurance marketplace. CAFII works with government and regulators (primarily provincial) 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.