

3 November 2020

Mr. Mark White, CEO; and
Mr. Bryan Davies, Board Chair
Financial Services Regulatory Authority of Ontario
5160 Yonge St., 16th Floor
Toronto, ON M2N 6L9

RE: CAFII Feedback on Draft Fiscal Year 2021-22 FSRA Priorities and Budget

Dear Sirs:

The Canadian Association of Financial Institutions in Insurance (CAFII) thanks the Financial Services Regulatory Authority (FSRA) of Ontario for the opportunity to provide comments on FSRA's *Proposed FY2021-2022 Statement of Priorities; and Budget*.

In this submission, we have restricted our comments to those sections of FSRA's *Proposed FY2021-2022 Statement of Priorities; and Budget* which are germane to CAFII members, i.e. to the consultation document's sections on Cross-Sectoral Priorities, the Life and Health Insurance Sector-specific Priorities, and FSRA's Proposed Fiscal Year 2021-22 Budget.

We largely agree with FSRA's observations in its environmental scan and, in particular, its view of the implications of COVID-19, including the observation that *"after a considerable decrease in traditional distribution channels, COVID-19 has also accelerated industry progress in digitizing the distribution of insurance products."* (Page 6.) This is something that has been the "lived experience" of our member representatives in spades over the past seven months; and we believe that much of the movement by consumers to digital platforms will become a permanent shift after the COVID-19-imposed restrictions on face-to-face meetings are reduced and eventually eliminated. As such, we believe that it is critical for FSRA to continue to operate under a regulatory framework that promotes innovation and facilitates industry's ability to serve consumers in the channel and the manner that they prefer.

In this respect, we believe that FSRA is placing the correct emphasis on the importance of technological changes and shifting consumer expectations, including the following astute observation:

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. (Page 8.)

With respect to cross-sectoral priorities, we feel that all four of FSRA's priorities are important and each of them aligns well with our Association's views.

CAFII strongly supports the "Protect the Public Interest" priority; and, in that connection, we note that our members, as major financial institution distributors and underwriters of credit protection insurance and travel insurance, make considerable investments in systems, processes, oversight, monitoring, employee training, and controls to support highly professional sales practices focused on appropriate products and the fair treatment of customers.

We agree with the importance of robust complaints handling systems; and CAFII is committed to ongoing assessment of shifting consumer expectations. All of our members are also committed to consumers' financial education and strengthening financial literacy.

With respect to the "Enable Innovation" priority, we strongly agree with the statement "*innovation moves quickly. As a regulator, FSRA needs to be agile in order to support and adjust to the change that comes with it.*" (Page 12.) In fact CAFII's members experienced that reality firsthand during the beginning of the pandemic, and still feel that imperative. The needs of consumers and the industry are changing and challenging the regulatory system faster than current mechanisms can adapt. The deliverables and outcomes specified by FSRA under this priority are appropriate in our view, although we continue to believe that "regulatory sandboxes" that provide a safe, monitored space within which to test innovative products and services can foster innovation while ensuring consumer protection.

With respect to the "Modernize Systems and Processes" priority, we encourage FSRA to continue to invest in its core technology and processes to make them as efficient as possible. We believe that technology will continue to have a profound impact upon financial services regulators just as it is having on industry; and, as such, it is critical for FSRA's effectiveness that it keep up with the pace of innovation through investments in technology. We note, however, that the deliverable of improving data interfaces and analytics will be most effectively implemented if it incorporates ongoing consultation with industry on this topic. Each private sector institution has its own definitions around data and its own approaches to technology, and understanding these nuances before building interfaces will reduce the risk of obtaining data that is difficult to aggregate, analyze, and interpret. That said, we wholeheartedly support the fundamental concept of an evidence-based approach to regulation.

With respect to the "Transition to Principles-Based Regulation (PBR)" priority, this is something for which CAFII has been a long-time proponent and advocate. Consumers and industry are best served by regulations that are not prescriptive, and which allow the principles that the regulator has established to be met without impeding innovation and efficiency. We support the initiatives outlined under this priority, and encourage FSRA to continue to embrace principles-based regulation.

In this same vein, CAFII extends kudos to FSRA for adopting CCIR/CISRO's *Guidance: Conduct of Insurance and Fair Treatment of Customers* as the document which outlines FSRA's expectations of industry with respect to FTC, without the need for a separate FSRA Guideline in this area. FSRA has set up a leadership example of supporting national co-ordination and harmonization by adopting the CCIR/CISRO Guidance.

With respect to the life and health insurance sector-specific "Enhance Market Conduct Oversight to Protect Consumers" priority, we support the initiatives outlined for this priority, and emphasize in that connection that CAFII members have made significant investments in systems, processes, oversight, monitoring, employee training, and controls to achieve consumer protection expectations.

Turning now to a priority area we have expressed support for in the past, but which is not addressed in FSRA's FY 2021-22 priorities, we continue to believe that a commitment to active participation in international organizations is important to FSRA's overall strength, in particular the International Association of Insurance Supervisors (IAIS). We recognize that international travel is currently restricted due to COVID-19. But that will not always be the case and we believe that FSRA, as the financial services regulator for Canada's most populous province and the economic engine of the country, it is important that FSRA play a prominent role in that international organization.

With respect to the FSRA's proposed 2021-2022 Budget, we note that there is a significant increase in the provision for the life and health insurance sector, which gives rise to an expectation of increased fees for the sector, reflecting "increased conduct supervision."

The COVID 19-dominated 2020 year has been a very challenging one for the life and health insurance sector, and the industry has made considerable efforts to respond to shifting and heightened consumer needs and expectations in these difficult times. The industry has experienced increased claims levels, and faces considerable financial challenges. We encourage FSRA to keep those factors in mind when considering fee increases and increased conduct supervision for the life and health insurance sector.

In closing, we again express CAFII's appreciation for FSRA's continued commitment to open and transparent communication and consultation. We look forward to making a further representation of our Association's views on FSRA's *Proposed FY2021-2022 Statement of Priorities; and Budget* at the Life and Health Insurance Sectoral Advisory Committee's meeting with the FSRA Board on 25 November, 2020.

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 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 Insurance; National Bank Insurance; RBC Insurance; Scotiabank Financial; and TD Insurance – along with major industry players Assurant Canada, Canadian Premier Life Insurance Company/Valeyo, CUMIS Services Incorporated, Manulife (The Manufacturers Life Insurance Company), Sun Life, and The Canada Life Assurance Company.