

3 May, 2022

Mr. Mark White, CEO; and  
Financial Services Regulatory Authority of Ontario  
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Toronto, Ontario  
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[mark.white@fsrao.ca](mailto:mark.white@fsrao.ca); and

<https://www.fsrao.ca/engagement-and-consultations/consultation-proposed-principles-conduct-insurance-intermediaries>

**RE: *CAFII Feedback on FSRA's Proposed Principles of Conduct for Insurance Intermediaries:***

Dear Mr. White:

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 Principles of Conduct for Insurance Intermediaries*.

As you may recall, credit protection insurance (CPI) and travel insurance are the products which bring CAFII members together in common cause within our Association. Our members offer optional life, critical illness, disability, and loss of employment CPI to consumers at the time that they are taking on a new debt obligation such as a mortgage, line of credit, car loan, or credit card. In addition to being regulated by provincial/territorial insurance regulators across Canada, CPI and travel insurance are also federally regulated as Authorized Insurance Products; and, as such, they are primarily offered by financial institution employees who are not individually licenced as insurance agents. That being the case, our Association is focused on FSRA's *Proposed Principles* mainly as they relate to "intermediaries not licensed with FSRA that have a role to play in distributing or servicing insurance products" (page 4).

CAFII strongly supports a principles-based regulatory (PBR) approach. PBR produces the desired regulatory outcomes by engaging regulated entities directly in the regulator's objectives; and by rooting the regulatory regime in a strong foundation of dialogue and the pursuit of common objectives, it is more effective at achieving the desired outcomes than is a rules-based approach.

PBR is also better aligned with a regulatory regime designed around fair treatment of customers (FTC); and it optimally balances FTC with fostering and supporting industry innovation. As well, PBR is fully consistent with the increasingly prevalent recognition that the most important element in achieving FTC is focusing on the corporate culture of regulated entities.

CAFII regards FSRA's *Proposed Principles of Conduct for Insurance Intermediaries* as being fully consistent with the Authority's commitment to principles-based regulation; and we therefore applaud, in particular, the following statement:

*As the Principles of Conduct are aligned with the FTC Guidance, which has been and continues to be implemented by industry, the adoption of the Principles of Conduct should not create more burden. Because the Principles of Conduct are principles-based, industry has some latitude to determine how best to achieve the expected outcomes of this Guidance, and reasonably demonstrate application of this Guidance and the Principles of Conduct, as appropriate to the nature, size and complexity of their business operations and activities. (Pages 8-9.)*

We also support and appreciate the fact that the *Proposed Principles* document is well-aligned with the International Association of Insurance Supervisors' Insurance Core Principle (ICP) 18, on Intermediaries, and ICP 19, on Conduct of Business; and that it also has a strong foundation in Canada's own *Guidance: Conduct of Insurance Business and Fair Treatment of Customers*, which was jointly developed and launched on a nationally co-ordinated basis by CCIR and CISRO in 2018.

We are pleased by the fact that FSRA does not take a "one size fits all" approach in the *Proposed Principles*; and we therefore strongly concur with the Authority that

*All insurance intermediaries and insurers should conduct their business following the Principles of Conduct that are relevant to their role in the industry. Expectations for conduct may differ depending on the nature of the relationship to the customer, the type of insurance provided, and the distribution method. (Page 6.)*

However, that said, we do have two important concerns to raise with respect to the *Proposed Principles*.

Our first concern stems from the statement that "*In the future, FSRA intends to assess the potential for incorporating the Principles of Conduct into the UDAP rule*" (Page 6), as we believe that doing that could give rise to possible deviations from a principles-based regulatory approach, unless it is positioned with exceptional care and handled in the same manner on an ongoing basis.

Our concern about the contemplated incorporation of the *Proposed Principles* into FSRA's recently developed UDAP rule would be somewhat mitigated if it is clearly stated that the *Proposed Principles*' becoming a component part of the UDAP rule is solely for the purposes of creating a 'fall-back measure', i.e. to provide enforcement capabilities to FSRA in cases where a regulated entity is clearly not adhering to the *Proposed Principles*. As a general rule, however, CAFII strongly believes that the Authority's first avenue for ensuring proper behaviour among industry participants should be through the *Proposed Principles* itself as a stand-alone document.

Our second issue of concern relates to implementation of the *Proposed Principles*.

CAFII and its members strongly believe that industry participants' adherence to the *Proposed Principles* is far more important than having the industry share the *Principles* with and explain them to customers. For example, delivering fair treatment of customers in all of its facets is exceedingly more important than would be any requirement for industry players to explain to consumers that the interactions they are experiencing conform with FSRA's expectations around *Principles of Conduct for Insurance Intermediaries*.

With respect to this matter, CAFII is troubled by the assertion that "*It is expected that intermediaries and insurers that directly distribute insurance, share and explain the Principles of Conduct to customers*" (Page 7) because we view the imposition of such a communication requirement as something that will only confuse consumers by muddying the waters; distract them with what are largely "internal industry considerations"; and undermine and detract from the positive aspects of their user experience in the purchase of insurance protection.

All things considered, CAFII believes that FSRA's *Proposed Principles of Conduct for Insurance Intermediaries* is a positive step forward and one that strikes the right balance between consumer protection and avoiding burdensome regulation.

However, we ask that full and serious consideration be given to addressing the two issues of concern which we have raised in this submission. Doing so, in our estimation, will both clarify and strengthen the *Proposed Principles* and lead to greater success in their implementation.

CAFII again thanks FSRA for the opportunity to provide feedback on the *Proposed Principles of Conduct for Insurance Intermediaries*, and we look forward to continuing to dialogue with the Authority on this important matter. We convey again our ongoing appreciation for FSRA's continuing to "walk the talk" on its commitment to open and transparent communication and consultation. Should you require further information from CAFII or wish to meet with representatives from our Association on this or any other matter at any time, please contact Keith Martin, CAFII Co-Executive Director, at [keith.martin@cafii.com](mailto:keith.martin@cafii.com) or 647-460-7725.

Sincerely,



Rob Dobbins  
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 credit protection, travel, life, health, and property and casualty 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 which helps ensure that Canadian consumers have access to insurance products that suit their needs. Our aim is to ensure that 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; Canadian Tire Bank; CUMIS Services Incorporated; Manulife (The Manufacturers Life Insurance Company); Sun Life; and Valeyo.