



Submission to the Autorité des marchés financiers

Internet Insurance Offerings in Québec

By The Canadian Association of Financial Institutions in Insurance

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About CAFII

CAFII was established in 1997 and is the only association whose members are involved in all major lines of personal insurance. CAFII members offer travel, life, health, property and casualty, and creditor's group insurance. Our members provide insurance through client contact centres, agents and brokers, travel agents, direct mail, branches of financial institutions and the Internet. Our members distribute products and services that consumers often purchase to compliment other insurance products.

Introduction

CAFII is pleased to provide comments to the Autorité des marchés financiers (the "AMF") in regard to the consultation on Internet Insurance Offerings in Québec. We congratulate the AMF on the leadership role it has taken in this subject both for the AMF paper and with the Canadian Council of Insurance Regulators. The research in both papers is useful, and we appreciated the opportunity to meet with regulators in person to discuss the various issues.

The Internet is an important distribution channel which is very broad in its reach, allowing consistent and effective access to consumers who may be geographically dispersed or whose needs may be too small to warrant the attention of an individual agent or broker. Electronic commerce can be used to provide consumers with broad access to clear and consistent information about insurance and the ability to purchase the coverage they need in a convenient manner, mitigating the risk that consumers do not buy necessary insurance coverage. The AMF's consultation paper notes the increasing use of the Internet by consumers for information gathering as well as transacting in insurance. We share the AMF's goal to "improve the (legislative) framework and adapt it to new realities while preserving a uniform level of consumer protection regardless of the platform used."¹ CAFII believes that legislation has been adapted and can continue to be adapted to accommodate Internet distribution and that regulation should be consistent across channels.

CAFII is responding to this consultation on life and health products only. In particular, the submission will focus on travel insurance, creditor insurance and life & health products (such as term, critical illness and disability insurance). CAFII will structure its response according to the order of the proposals presented in the consultation paper.

¹ Autorité des marchés financiers -Internet Insurance Offerings in Quebec , February , 2012, pg. 14

Identity of provider

Proposal 1: Specified information to be on providers' website home pages.

CAFII members support the inclusion of the information as prescribed on providers' home pages. Given the limitations in the amount of information that can be placed on any one webpage, we recommend that it be clarified that such information should be available either directly on the home page or via a link from the home page.

CAFII is concerned about the requirement to note a registration number with the AMF on the provider's homepage as the homepage will be accessible to consumers in multiple jurisdictions. We would like to work with regulators to develop an appropriate approach so that consumers are able to confirm that they are dealing with a legitimate entity.

Involvement of a certified representative

Proposal 2: Stakeholders should have input in determining the role of certified representatives in on-line insurance offerings.

CAFII recommends that the legislative framework be clarified such that a provider would have a certified representative available at the client's request during business hours.

CAFII believes that consumers should have access to the information and advice that they need to make an informed decision on their insurance purchase. CAFII members are responding to consumer demands by developing interactive and dynamic sites that provide consumers with information and tools that help them choose the product that best meets their needs. Consumer expectations drive insurance providers to deliver high quality products and services online and to provide information about those products and services in innovative ways. Consumer accessibility and choice are enhanced through innovative technology which can be used to provide interactive information including simulations and scenarios to help consumers understand or choose a product. Please see Appendix 1 for an overview of information and interactive advice tools typically available on websites.

It is our members' experience that consumers do not limit themselves to any one channel. Instead, consumers frequently have multiple points of contact before ultimately concluding an insurance transaction. They may consult the Internet, talk to an agent or broker, and/or call an insurance provider's contact centre. According to a recent survey, Canadians expect to rely

most on sources other than a licensed agent or insurance representative for guidance when buying life and health insurance products online².

Consumers should have the ability to opt for whatever level of service they choose through multiple channels. According to a recent POLLARA survey commissioned by CAFII³, almost 50% of Canadians would be comfortable buying life and health insurance products online. Consumers who are comfortable with their level of understanding may not ask for, or need, additional information to what is already provided during the transaction process. A web-based offering can greatly simplify the learning process for consumers. The web has the ability to clarify information and present it to consumers in a logical and consistent manner. Consumers have the opportunity to invest their time to acquire information and to examine at their leisure key aspects or explore alternative options in order to make their decision. The information, tools and advice on insurer web pages contribute to the financial literacy of consumers. The Internet can also provide very timely coverage. For example, with travel insurance, it is important for people to have Internet access as they may need immediate coverage. In cases where clients have chosen to do their research and transact on the Internet rather than face-to-face and telephone, mandating the use of a licensed representative would add redundancy, delay and costs and go against the consumer's needs and wants. However, if or when a consumer has questions or would like to access advice, it can be provided online or by telephone through a certified representative. We therefore recommend that the client should determine whether or not to involve an intermediary and that companies should make a representative available at the client's request during business hours.

Disclosure of essential information

Proposal 3: Key information must be brought to the consumer's attention before he completes an application or gives the provider the information needed to complete it. A step-by step approach to confirmation should be adopted.

Information screens, which form the bases of Internet offerings, allow consumers to acknowledge their understanding of information by clicking a button to accept. In addition, web design allows for the provision of additional information and the ability to contact a company representative to request more information.

² POLLARA, Survey of Canadians' Views on Purchasing Life Insurance Products Online, Conducted for CAFII, April 2012. All questions related to products that generally cost less than \$400 per year to buy, such as travel insurance and accidental death insurance.

³ POLLARA- Ibid.

Proposal 4: Providers must ensure that consumers have read each individual item of essential information.

CAFII recognizes that consumers in every distribution channel must be made aware of essential information. Applicants can be guided through an application process by “clicking to accept” the key features of the information provided.

Proposal 5: The information made available to consumers before they complete an application must be written in clear, simple language.

CAFII agrees with clear language requirements. The Internet is particularly good at ensuring that complete, clear and up-to-date information is available to consumers through the use of various interactive tools and educational aids.

Proposal 6: The AMF proposes that the information from the application be summarized on-screen and consumers be given the opportunity to validate their answers before the contract is drawn up.

Summary screens can be provided. There are options available to meet this requirement, for example, insurers may provide a running summary of the transaction to ensure consumers are able to review the accuracy throughout the transaction.

Proposal 7: For all insurance applications completed on-line, the provider must send the contract documents to the consumer on a durable medium via the Internet or by mail, at the consumer’s choice. At any time thereafter, the consumer may request to receive a paper copy of these documents.

Policy documentation is provided to consumers in their medium of choice. Internet distribution is particularly beneficial to clients in making policy documentation readily available in a form that provides for ready storage and retrieval.

Distribution other than through a representative

Proposal 8: The distributor’s website must contain the disclosures and information required under Title VIII of the Act.

CAFII agrees that all required disclosures and information would be made on a web offering.

Proposal 9: The distributor must make the distribution guide available on its website.

CAFII agrees that the distribution guide would be made available on the provider’s website.

Proposal 10: The distributor must ensure that consumers have read the distribution guide before they purchase or subscribe for the insurance product.

The Internet distribution process makes all essential information available in clear language. The consumer has access to additional information through “pop-ups,” “click to chat” and well designed web information pages. Web pages can be designed to require a consumer to move through web pages containing specific information or to “click to accept” having received or understood the information, however, it is not possible in any distribution channel to ensure that the consumer has actually read the distribution guide. In order to give consumers full opportunity to read the distribution guide and ensure that they have a chance to consider all information and the purchase decision, CAFII members offer a “free look” period of 20 – 30 days. This allows the consumer to have insurance coverage at no financial risk while they review the product documentation, their purchase decision, and any other insurance options available on the market.

Comparison shopping websites

Proposal 11: This consultation seeks the views of stakeholders regarding the suitability of the existing framework to comparison shopping websites.

CAFII members consider the use of comparison shopping sites to be a strategic decision. Since not all of our members are using these sites, we do not feel that it is appropriate for CAFII to comment.

Advertising

Proposal 12: Providers may not place any advertising on website pages where the consumer completes an on-line insurance application.

The provision of information is a key design consideration of a web offering. Insurers and their application designers are aware that extraneous information or advertising could distract the focus and attention of consumers at the application step. With distractions, the web design may not work well. It is therefore in the insurer’s interest to ensure that only appropriate information is presented. We therefore recommend that, rather than mandating a ban or prohibition on the presenting of information, the application design be part of the overall judgment of the provider in developing a suitable web offering. CAFII would be pleased to work with the AMF to review in more detail your concerns and possible solutions in this regard.

Social media

Proposal 13: Insurers and firms should adopt social media policies and procedures to be able to monitor the content that they or their representatives post on-line and to ensure compliance with current regulations.

Social media is becoming a matter of interest to insurers across all distribution channels. CAFII recognizes the AMF's need to ensure that all representatives are in compliance with regulations.

Conclusion

The Internet is a dynamic and expanding distribution channel which has the ability to make insurance more readily available to the under-insured middle market. The strength of the Internet is its ability to provide a clear and consistent presentation of information to consumers which helps to educate them on the insurance product. CAFII believes the existing legislative framework has been, and can continue to be, adapted to cover Internet distribution. We would be pleased to meet with the AMF to discuss our submission in further detail.

Appendix 1 – Information and Advice Tools on Insurer Websites

While each provider will develop its own competitive information pages and advice tools, a general description of several of these tools follows:

Personal Contact: Websites offer a phone number to call with questions. This may also be in the form of a button where the consumer can “click to chat” online or make an appointment to have his questions answered.

Information Screens: As part of the design of the application form, insurers provide information in clear language with the ability for consumers to accept their understanding of such information and the facility to request more information.

Pop-ups: As a consumer moves through screens, he or she may see a question “Do you wish to learn more about this?” If the consumer clicks on the question, an information box will appear. Consumer may choose to have the additional information the first time through, but if they resume their information gathering at a later time, they can skip this step.

Needs analysis tools: These tools provide personalized advice based on information that a consumer provides. The tools can be used to direct consumers to products that are appropriate. They can also be used to step consumers through key life scenarios and needs by asking such questions as:

- What province do you live in?
- Are you married?
- How many children do you have?
- How old are you?
- Key life events (e.g. marriage, career change, retirement)
- Do you have a mortgage?
- What are your cash needs? (E.g. balance owing on credit, final expense needs, emergency funds)
- What is your income?
- What are your assets?
- What insurance do you currently have?

Based on a consumer’s profile, the tool will provide customized insurance advice.

Hints: Throughout needs analysis tools, there are “hints” to educate such as “It is estimated that on average it costs \$15,000 per year per child for post-secondary education,” and “Did you know that outside of Canada medical treatment can be very expensive and government health plans may provide only limited coverage.”

Suspend and resume: Web technology may also be used to allow consumers to visit a website and gather product information or commence use of a needs analysis tool.

Consumers would be facilitated in their work by being able to end a session and come back to the same place in their tool or application process. This allows consumers to gather information at their own pace and convenience and to even gather other information before resuming their online transaction.

“Click through” applications: Applicants can be guided through the application process by having them click to accept key features (e.g. restrictions and limitations) as well as key client information such as age and coverage amounts.

FAQs: Most websites will include a “Frequently Asked Questions” section for common concerns and to provide information a consumer might not have thought to ask.

Glossary: A glossary sets out definitions and explanations of the terms used on the website.