



August 24, 2012

Ms Erin Pearson
Executive Director
Manitoba Insurance Council
167 Lombard Avenue, Suite 466
Winnipeg, MB R3B 0T6

Dear Ms Pearson,

Thank you for meeting with Sara Gelgor and me on August 8, 2012. We appreciate the opportunity to speak to you on behalf of CAFII and provide input on developing a restricted license regime in the Province of Manitoba. As a restricted license regime relates to the business lines of all CAFII members, we welcome the opportunity to participate in the process of developing the regime and I would like to follow up on several items discussed in our meeting.

- Record of representatives

As we discussed in the meeting, the provision of a roster of names is not feasible for federally regulated financial institutions (FIs) who are restricted license holders. Employee information is updated and maintained on a number of different databases within FIs but is not typically found on any one system or record. In the case where Council needs to know information about a particular individual, this could be obtained by contacting the designated representative. In addition, the restricted license regimes in Saskatchewan and Alberta do not require us to provide this information. We would therefore recommend that federally regulated FIs be exempt from any record requirements that may be put in place, consistent with the practice in the other provinces where a restricted license regime exists today.

- Disclosure

Council's proposal to include an extensive point-of-sale disclosure is of serious concern for CAFII. This is problematic since the products that would be covered under a restricted license often are purchased by consumers from the underserved market, i.e. those people whose insurance needs are too small to warrant the attention of an insurance agent or broker. To reach the underserved market emphasis is placed on convenience of purchase, e.g. using channels like telephone, or Internet. Having to read through lengthy legal information can be a deterrent to consumers and in lieu of this the industry sends out a fulfillment package that sets out the full and complete

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policy terms and provides a generous rescission period to allow the consumer to review all documents. A toll-free number is also provided so the customer can ask any questions of the insurer. If, after reviewing the complete information, a customer decides that he or she does not wish to purchase the insurance coverage, they are free to cancel within the first 30 days with no obligation and any premiums paid will be fully refunded. Even after the rescission period consumers can cancel at any time with no further obligation. The right of rescission is always explained to customers at the point of sale. This process has been put in place to ensure the consumer has all the necessary information for his or her purchase decision and enough time to make an informed decision. For these reasons, we would encourage Manitoba to harmonize any disclosure requirement with the level of disclosure currently required in Alberta and Saskatchewan.

- Suitability

CAFII is concerned by Council's intention to introduce a suitability requirement where one does not exist in other Canadian jurisdictions. Applicants for an individual life insurance agent license are subject to a suitability requirement, being a specific screening process which, among other things, includes background checks for bankruptcies, business affiliations, federal or provincial offences, reasons for previous terminations, legal requirements to make payments, indebtedness and criminal records, among other things. There is also a check for professional insurance designations, and insurance licenses. Employees of FIs undergo rigorous hiring processes but use different criteria from the specific "suitability" check for insurance agents. Moreover, financial institutions will hire candidates to perform a variety of financial services and will typically not focus only on the types of products and services captured under a restricted license. Given the processes and practices in place at FIs, and in light of the errors and omissions insurance requirement exemption contemplated for FIs, we would urge Council to follow the model adopted in Alberta and Saskatchewan whereby no suitability requirement is in place, or in the alternative, introduce an exemption from this requirement for FIs.

- New and Renewal Applications

Alberta utilizes a simple application document that we recommend be adopted by Manitoba. It is important to recognize that FI restricted licensees are large institutions that are regulated by OSFI. A number of requirements contemplated by Council (such as roster, suitability and complaint reporting) appropriate to smaller licensees are not needed.

We are pleased that Manitoba is contemplating following the example set by other restricted license regimes in exempting financial institutions from the requirement for separate errors and omissions insurance coverage. With respect to complaint reporting, we would point out that there is a separate mechanism for tracking and dealing with complaints, and on this subject, CAFII has recommended that the CCIR communicate summary complaint information to industry. CAFII recommends that either there be a separate simplified application form for OSFI regulated FIs or that FIs be exempt from certain sections of the application form.

Given the amount of time and staff that may be necessary to manage licensing and renewals for restricted certificate holders, we recommend that Manitoba adopt a file and use system (in place in Quebec and Saskatchewan). This is particularly important for FIs who must have certainty that they are in compliance with all legal obligations in a jurisdiction. Without a file and use it would mean that any delay in processing could put the licensee's operations in jeopardy.

- Council Representation

As discussed during the August 8 meeting, it would be useful to have a way for restricted certificate holders to be represented on Council, as it is Council that makes decisions that affect the operations of restricted licensees. We believe that it would be best to have a separate Council for restricted licensees that would meet on an "as needed" basis. In addition, in order to have representatives with a broad perspective on the products covered by ISI, it would be advisable not to have a Manitoba residency requirement. CAFII could then offer representatives with expertise in ISI to be part of the Council. CAFII has retained the services of a law firm to assist in recommending council representation and could provide draft wording once agreement is reached in principle on the structure to adopt.

We trust these comments reflect the topics we covered in the meeting and hope that you will provide us with an update after your next Council meeting on August 28. Please feel free to contact me directly if there is any further information we can provide.

Yours truly,



Moira Gill
CAFII Representative

cc Jim Scalena, Superintendent of Insurance