

January 19, 2015

Mr. Brian Mills
Interim CEO and Superintendent of Financial Services
Financial Services Commission of Ontario
5160 Yonge St., 17th Floor,
Toronto, Ontario
M2N 6L9

Dear Mr. Mills:

On behalf of the Canadian Association of Financial Institutions in Insurance (CAFII), I extend a hearty congratulations on your recent appointment as FSCO's Interim CEO and Superintendent of Financial Services.

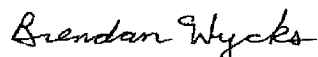
It was a pleasure to make your acquaintance and chat with you at FSCO's Market Conduct Symposium for the Life & Health Insurance Sector in November last year. And we look forward to further dialogue with you during CAFII's upcoming stakeholder meeting with the Canadian Council of Insurance Regulators on January 28.

In that connection, CAFII has appreciated the productive working relationships we've had with your predecessor Phil Howell and other senior members of the FSCO team over many years. We recognize the Commission's commitment to principles-based regulation; and its consultative, open, and candid approach to communicating with industry stakeholders, which we trust will continue under your leadership.

As you may recall, CAFII is an industry Association dedicated to the development of an open and flexible insurance marketplace. CAFII members provide insurance through client contact centres, the internet, direct mail, branches of financial institutions, and agents and brokers. We believe that consumers are best served when they have meaningful choice in the purchase of insurance products and services.

If at any time your office would like to obtain information from CAFII about insurance matters germane to our Association, please don't hesitate to contact me.

Sincerely,



Brendan Wycks, BA, MBA, CAE
Executive Director

P.S. A *Backgrounder On CAFII And Industry Issues* is appended.

BACKGROUNDER ON CAFII AND INDUSTRY ISSUES

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, the internet, direct mail, branches of financial institutions, and agents and brokers. CAFII believes consumers are best served when they have meaningful choice in the purchase of insurance products and services.

CAFII's full members are the insurance arms of Canada's major financial institutions – BMO Insurance; CIBC Insurance; Desjardins Financial Security; National Bank Insurance; 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. CAFII also has 10 Associate members that support the role of financial institutions in insurance.

CAFII members offer creditor's group, travel, life, health, and property and casualty insurance. In particular, creditor's group insurance and travel insurance are the product lines of primary focus for CAFII members.

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.

The Under-Served Market and Alternate Distribution

Central to CAFII's mandate is improving access for the vast under-served middle market of Canadians to simple, straightforward insurance products through a variety of distribution channels.

Close to one-third of Canadian households have no life insurance coverage at all and 40% of them find it very or somewhat difficult to find an agent/broker. (Life Insurance Marketing Research Association: Canadian Ownership Households Trends, 2013). Traditional agent and broker channels are not serving younger, low and mid-income Canadians well, largely for compensation structure-related reasons. It is difficult for an agent/broker to make a living from the middle market with smaller needs. An agent/broker would have to sell seven small policies to earn the same amount of commission that a single larger policy would bring in.

Mass market, younger and lower income households need and want access to insurance advice and simple, affordable products. Simple, competitive and cost effective insurance solutions can be made more broadly available through alternate distribution channels such as online, telephone, direct from insurers and branch distribution of creditor and travel products. It is important that regulatory regimes help to foster and support the ongoing growth and development of these channels.

Electronic Commerce

CAFII members utilize the electronic commerce channel extensively, and we share the CCIR's objective of ensuring that consumers are protected while they purchase insurance products in their channel of choice.

Consumers self-select a channel to achieve satisfaction and should not be required to use an agent/broker as this would add redundancy and costs and go against consumers' needs and wants. It is important to have electronic commerce available to consumers for broad access and to reach the under-served market.