

March 15, 2016

Mr. Frank Chong  
Deputy Superintendent, Regulation  
Financial Institutions Commission  
2800 – 55 West Hastings  
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Dear Frank:

Peter McCarthy, Kelly Tryon, Brendan Wycks, and I appreciated the opportunity to meet with you, Chris Carter, and Molly Burns regarding *Information Bulletin INS-15-002: Creditor's Group Insurance*.

And at this time, we would like to acknowledge and thank FICOM for its recent extension of the deadline for compliance with the Bulletin's requirements to March 31, 2017.

As we mentioned in our meeting, CAFII members generally support the objectives of the Bulletin and adhere to all of the consumer protection procedures that FICOM expects of creditors and exempt sellers for creditor's group insurance (CGI) contracts that are purchased as part of a credit transaction with one of our member institutions. That said, the practical application of the Bulletin's requirements causes difficulty for CAFII members in two significant areas:

1. Where a loan is being transferred from another institution, the receiving institution would not be aware if there is existing CGI in place, e.g. where a mortgage broker moves a mortgage with "portable" CGI (that the original creditor may or may not have been involved in effecting) to another institution. In those cases, it would be impossible for the new creditor to have been involved in effecting the contract and it could not attest to any of the disclosure requirements.
2. Similarly, we would like to confirm that the Bulletin's requirement for insurers to renegotiate existing CGI contracts would only apply to new certificates that are issued under a Group Master Contract. For existing certificates, since the coverage is already in place, no consumer protection goal would seem to be served by requiring the existing coverage to be reissued. In fact, the opposite may be the case as British Columbians may lose their coverage if their health or lifestyle has changed since the original coverage was purchased.

In addition, with respect to CGI coverage sold by automobile dealers, the dealers are involved in effecting the contract and, *at the moment in time* the creditor's group insurance is sold, they are both the distributor and creditor. The following points support this position:

1. the exempt seller owns the merchandise;
2. the exempt seller is owed money for the merchandise, until such time as the debt is transferred; and

3. there is adequate wording in the debt transaction that describes that the debt was accepted and assigned by the exempt seller, to the creditor, according to agreed-upon terms.

As a result, we would appreciate confirmation that you agree that CGI sold by automobile dealers complies with the requirement that the creditor be involved in “effecting” the contract.

Such is not the case for mortgage brokers, however, and we understand that the Canadian Life and Health Insurance Association is working with FICOM to address and remedy the practical effect of the Bulletin which impedes the mortgage broker distribution channel from continuing to offer this valuable protection to British Columbians.

If you require further information on our position on matters related to the Bulletin, please contact our Executive Director, Brendan Wycks, at [brendan.wycks@cafii.com](mailto:brendan.wycks@cafii.com) or 647-218-8243.

Thanks again to you and your colleagues for meeting with us in Vancouver.

Sincerely,



Greg Grant, MBA, FLMI, ACS  
Board Secretary and Chair, Executive Operations Committee

c.c.

Carolyn Rogers, CEO and Superintendent of Insurance  
Chris Carter, Deputy Superintendent, Real Estate  
Harry James, Director, Policy Initiatives  
Molly Burns, Analyst, Policy Initiatives

## 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, i.e. client contact centres, agents and brokers, travel agents, direct mail, branches of financial institutions, and the internet. CAFII members offer travel, life, health, property and casualty, and creditor’s group insurance across Canada.

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 believes consumers are best served when they have meaningful choice in the purchase of insurance products and services.