

January 16, 2015

Dear Minister:

As Board Chair of the Canadian Association of Financial Institutions in Insurance (CAFII), I'm writing to inform you of our Association's support for the Life Licence Qualification Program (LLQP) modernization effort being led by the Canadian Insurance Services Regulatory Organisations (CISRO) LLQP Committee; and to outline our views on a number of related interprovincial harmonization issues which are germane.

CAFII is a not-for-profit industry Association dedicated to the development of an open and flexible insurance marketplace. Central to our mandate is improving access for the vast under-served middle market of Canadians to simple, straightforward insurance products through a variety of distribution channels. Further elaboration on this is found in the *Backgrounder on CAFII* appended to this letter.

As noted in our letter to CISRO dated February 21, 2014, it is CAFII's view that after more than a decade of experience with the current, first iteration of the LLQP, it is an appropriate time to fully harmonize, review and update the program. Since 2012, our Association has been a participant in a series of iterative, open consultation discussions with CISRO on how best to improve the LLQP, for the benefit of consumers and the industry. As an organization, we applaud the modernization initiative.

CAFII believes that the modular LLQP model will benefit consumers, by helping to ensure that all new agents have the minimum required entry level proficiency in each key area.

Interprovincial Harmonization

Importance of Labour Mobility and Mutual Recognition of Licenses in Insurance

Insurance companies are increasingly using direct channels such as the internet and client contact centres to sell coverage in all jurisdictions. Currently, for individual life insurance, contact centres employ LLQP-trained agents, each of whom must hold licences from all jurisdictions serviced by the centre, typically 13 different licences.

It is administratively very costly and cumbersome to manage licensing for 13 separate jurisdictions (including separate background checks; monitoring expiry dates for each jurisdiction; completion of forms; compliance with multiple continuing education, errors and omissions insurance, and notification requirements).

CAFII views a nationally harmonized regulatory model – one which recognizes the importance of the telemarketing channel and alleviates the unnecessary burden imposed by multi-jurisdictional licensing – as an imperative to improve Canadians' access to insurance through flexible and convenient distribution channels.

Ideally, if an agent is duly licensed in one jurisdiction, that license should be recognized by other Canadian jurisdictions under a system of mutual recognition, with no further local requirements imposed, other than registration and fee payments. Making this change will better align with the Agreement on Internal Trade, which stipulates that individuals with recognized skills and qualifications should be able to work in their field in any jurisdiction in Canada, without undue impediment.

Importance of a National Online System for Licensing

CAFII supports CISRO's drive to develop one common proficiency standard for life licensing across Canada, which means that companies will only have to manage one instead of two programs to get agents licensed in all provinces. CAFII and many other industry stakeholders have been asking for standardization in regulatory matters for some time, and the current LLQP harmonization project is a step in the right direction.

CAFII therefore encourages all provinces and territories to join together in an initiative such as the Canadian Insurance Participant Registry (CIPR) being led and rolled out by the Alberta Insurance Council. As a first step in coordinating licensing information on a national basis, it is an encouraging start on addressing a critical need that CAFII has been highlighting for years.

Conclusion

CAFII looks forward to the important impact that a fully harmonized, national LLQP can and should have as a driver of interprovincial harmonization of other positive enhancements to insurance licensing and regulation.

Yours sincerely,

Rino D'Onofrio, Chair
Canadian Association of Financial Institutions in Insurance

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.