

January 15, 2014

Ms. Jennifer Howard  
Minister of Finance, Manitoba  
103 Legislative Building  
450 Broadway  
Winnipeg, Manitoba R3C 0V8

**RE: Meeting Request From Canadian Association of Financial Institutions In Insurance**

Dear Minister:

Congratulations on your recent appointment as Minister of Finance.

As it has been some time since representatives of the Canadian Association of Financial Institutions in Insurance (CAFII) have met with officials from your Ministry and since we have not yet had the opportunity to meet you, we are writing to request a meeting in Winnipeg in February to discuss key initiatives and issues that CAFII is currently pursuing and their relevance to Manitoba consumers, policy-makers, and regulators.

Our topics for discussion (see attached Backgrounder for elaboration) would include:

- the vast under-served middle market of Canadians and alternate distribution of simple, accessible insurance products;
- electronic commerce;
- CAFII's focus on plain language, consumer financial literacy, and consumer protection;
- interprovincial harmonization and multi-jurisdictional licensing; and
- legislative and regulatory developments in Manitoba and other jurisdictions. With respect to this topic, we would like to discuss
  - o insurance implications of the Agreement on Internal Trade;
  - o importance of Manitoba's participation in the Canadian Council of Insurance Regulators (CCIR) and the Canadian Insurance Services Regulatory Organizations (CISRO);
  - o Manitoba's updated Insurance Act which is harmonized with the other Western Canada provinces; and
  - o Manitoba's draft Incidental Sellers of Insurance (ISI) Regulation, which will establish a corporate licensing regime governing the Creditor's Group Insurance products that CAFII members offer.

With respect to the draft ISI Regulation being developed by the Superintendent of Insurance and the Insurance Council and now nearing finalization, CAFII has been in regular consultation discussions with Deputy Superintendent Scott Moore and has offered input and feedback based on our experience with the development of ISI regimes in Alberta and Saskatchewan. Our Association's recent response submission to the second draft of *Part 2, Restricted Insurance Agent Licences*, of Manitoba's *Insurance Agents and Adjusters Regulation* is included with this letter for your information.

In our view, harmonization of provincial ISI regimes is imperative; and there is no compelling consumer protection reason for Manitoba to vary from the established, successful ISI regimes in other provinces, both of which appear to have found the right balance between consumer protection and business efficiency.

Despite our discussions, there are some proposals remaining in the second draft of Manitoba's ISI Regulation that are outliers in comparison to the Alberta and Saskatchewan regimes. We would appreciate an opportunity to share our concerns, highlight the consequences of differing requirements across the Western Canada markets, and propose some potential solutions.

Therefore, Minister Howard, we would like to meet with you and/or another senior official from your Ministry to discuss our key initiatives and issues. Hopefully, Superintendent Jim Scalena and/or Deputy Superintendent Scott Moore would also be able to attend this meeting. A delegation of two to three CAFII representatives would be pleased to meet in Winnipeg, at a mutually convenient time in February. We'd appreciate it if your office could propose two or three possible meeting dates/times next month.

Thank you for your consideration of this request. To reply, please contact Brendan Wycks, our Executive Director, at [brendan.wycks@cafii.com](mailto:brendan.wycks@cafii.com) or 647-218-8243 at your earliest convenience.

Yours sincerely,



Moira Gill  
Chair, Licensing Efficiency Issues Committee

c.c. Jim Hrichishen, Deputy Minister of Finance  
Jim Scalena, Superintendent of Financial Institutions Regulations Branch  
J. Scott Moore, Deputy Superintendent of Financial Institutions – Insurance

## **BACKGROUNDER ON CAFII AND CAFII 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. 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 is currently the only Canadian Association with members involved in all major lines of personal insurance. CAFII's full members are the insurance arms of Canada's major banks – 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, and Canadian Premier Life Insurance Company.

In addition, CAFII 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.

### **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. More than one-third of Canadian adults have no life insurance coverage at all and 47% of households find it very or somewhat difficult to find an agent/broker. 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. Agents/brokers therefore target and develop relationships with more affluent clients.

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.

### **Plain Language, Consumer Financial Literacy, and Consumer Protection**

CAFII's position/vision, as published on our web site, is that "we will provide consumers with straightforward, user-friendly, plain language explanations of insurance products and service options. We will also provide leadership in consumer education. Educated and well-informed consumers will be aware of the range of products and services available, and understand how to match products to their personal circumstances."

The internet channel is well-suited to making information readily available on a consistent and clear basis. CAFII members have developed interactive simulations and other tools to enable consumers to work through a variety of scenarios enabling them to better understand and choose a product. For example, creditor's group insurance and travel insurance, which CAFII members are authorized to distribute, are supported in the online environment with a view to ensuring that consumers understand the coverage offered. The online information and advice tools utilized include 'click to chat' capability, call centre toll-free phone numbers, pop-up information screens, needs analysis tools, frequently asked questions, and "how to find an advisor" functionality.

### **Inter-provincial Harmonization and Multi-jurisdictional Licensing**

Harmonized license requirements reduce the cost and complexity of licensing.

CAFII members have client contact centres and must manage licensing across a number of jurisdictions. Ideally, when agents are duly licensed in their home jurisdiction, CAFII would like this license to be recognized across all jurisdictions.

CAFII supports electronic license application and renewal systems as a means to increasing efficiency for both regulators and industry.

A national business number registration database would facilitate multi-jurisdictional licensing of intermediaries as well as assist insurers and regulators in undertaking background checks of licensees. CAFII was therefore pleased to see the Alberta Insurance Council's recent launch of its Canadian Insurance Participant Registry. The CIPR addresses a need that CAFII has been advocating for years. If adopted by other Canadian provinces, it can become the first step toward a national, electronic registration system. CAFII encourages all provinces to join the CIPR initiative at the earliest possible opportunity.