



July 26, 2013

Ms. Carolyn Rogers  
Chair, Canadian Council of Insurance Regulators  
c/o CCIR Secretariat  
5160 Yonge Street, Box 85, 17<sup>th</sup> Floor  
Toronto, Ontario M2N 6L9

Dear Ms. Rogers:

The Canadian Association of Financial Institutions in Insurance (CAFII) is pleased to provide comments regarding *Electronic Commerce in Insurance Products*, a position paper of the Canadian Council of Insurance Regulators (CCIR).

***About CAFII***

CAFII was established in 1997 and is the only Association with members involved in all major lines of personal insurance. CAFII members offer travel, life, health, property and casualty, and creditor's group insurance. Our members provide insurance through client contact centres, agents and brokers, travel agents, direct mail, branches of financial institutions, and the Internet. Our members distribute products and services that consumers often purchase to complement other insurance products.

The comments in this response focus on the creditor's group, travel, and life and health insurance products that CAFII member companies distribute predominantly.

***Industry Consultation***

CAFII commends the CCIR for undertaking a timely and thoughtful consultation on electronic commerce, with a view to ensuring that the industry is able to meet growing consumer demand for convenient access to insurance products. CAFII members utilize electronic commerce extensively to distribute simple, straightforward life and health insurance products, and we share the CCIR's objective of ensuring that consumers are protected while purchasing products through whatever channel they choose.

We support the principles-based approach taken in the position paper, as it provides insurers with needed flexibility in their online interactions with consumers while at the same time ensuring that consumer protection outcomes are met. However, we point out that, in keeping with the importance of regulatory consistency, most of the paper's recommendations are applicable to all distribution channels.

CAFII appreciates the opportunity to work with the CCIR on assessing issues related to electronic commerce, and we would be pleased to meet with CCIR representatives to discuss our feedback in more detail. Should the CCIR wish to arrange a meeting for that purpose, please contact Brendan Wycks, our Executive Director, at [brendan.wycks@cafii.com](mailto:brendan.wycks@cafii.com) or 647-218-8243.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Mark Cummings'.

Mark Cummings, Chair  
Canadian Association of Financial Institutions in Insurance



## CAFII Response to

### CCIR Position Paper: Electronic Commerce in Insurance Products

In the following pages, we provide commentary on each of the recommendations contained in the CCIR's position paper *Electronic Commerce in Insurance Products*.

#### Consumers Have Access to Additional Information/Advice

##### *CCIR Recommendation*

On-line insurance providers, whether licensed agents, insurers or firms, have the responsibility to make sure that a consumer purchasing an insurance product makes an informed decision by:

- Providing the consumer with the information needed, in a timely and comprehensive way;
- Giving the consumer access to a suitable level of advice, taking into account, among other things, the complexity of the product;
- Making the consumer aware of the importance of advice.

CAFII supports this recommendation. We agree that, in all channels, the industry has a responsibility to provide consumers with access to the information and advice they need to make informed decisions. To that end, CAFII members provide self-assessment functionality and product information online, and have processes in place for referring consumers to obtain additional advice.

Online distribution is well-suited to making information readily available on a clear and complete basis. CAFII members have developed interactive simulations and other tools to enable consumers to model a variety of scenarios with a view to understanding and choosing 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 and toll-free access to knowledgeable representatives in both call centres and branches.

These practices assist consumers in making informed decisions while supporting "*the consumer's right to choose which product to purchase and how to do so.*"

We believe that these current industry practices also satisfy CCIR's statement "Before beginning an on-line process, the consumer should be presented with a disclosure stressing the importance of advice and how to obtain it" as well as the third bullet in this recommendation. In many respects, "Making the consumer aware of the importance of advice" is already subsumed within the recommendation's second bullet. However, if the CCIR is contemplating additional disclosure beyond the industry practices noted above, CAFII requests further discussion and consultation about that.

## Consumers Know They Are Dealing with a Regulated Entity

### *CCIR Recommendation*

To allow a consumer to verify the identity of the service provider and, if need be, to check whether it is registered with the regulator, the following information should be made easily, directly and permanently accessible on the websites of all providers that distribute insurance products online:

- Legal name of the provider;
- Geographic address of the provider;
- Telephone and electronic contact information, whereby consumers can reach the provider directly and easily;
- A statement that the provider is registered with the regulator, including its registration number and type;
- Contact information and information on how consumers can file a complaint, including a link to the regulator's website.

CAFII supports this recommendation and its requirements. Consumers should be able to assure themselves that they are dealing with a legitimate, regulated entity. As mentioned in our cover letter, this applies equally to all distribution channels.

With respect to the point that consumers be provided with "*contact information and information on how consumers can file a complaint, including a link to the regulator's website,*" we note that insurers have well-established practices in place for managing consumer complaints, many of which are mandated by legislation. This includes providing information on their websites on how to file a complaint.

The standard industry practice is that the first point of contact for a consumer complaint is the insurer. Escalation protocols are listed but -- given that most insurance products are distributed on a national basis -- do not normally include a link to provincial regulator websites. However, consumers are provided with provincial regulators' contact information upon request. It is our belief that including links to provincial regulators' websites would undermine this process and cause unnecessary confusion for consumers.

As with insurers, CAFII members authorized to distribute creditor's group insurance and travel insurance have well-established practices for handling consumer complaints, which meet all federal and provincial regulatory requirements. This includes providing website instructions on how to file a complaint. Typically, consumers deal directly with the CAFII member financial institution when they have a complaint related to creditor's group insurance or travel insurance. As in the case of insurers, CAFII members are able to provide regulators' contact information to consumers upon request.

We trust that these industry practices satisfy CCIR's recommendation.

## **Consumers Have and Understand the Necessary Information about the Products**

### *CCIR Recommendation*

Providers offering insurance products online should draw to the consumer's attention the following information before buying an insurance product, in a clear and simple language:

- The type of consumer for whom the product is intended;
- Main characteristics of the product;
- Options and coverage provided by the product, as applicable;
- Exclusions and limitations associated with the product, if any;
- The total premium and other charges that the consumer will have to pay (including all applicable taxes) or, if an exact amount cannot be indicated, the basis for the calculation of the amount, so that the consumer can verify it;
- The consumer's right to cancel, if applicable, as well as the duration of the cancellation period and procedures for exercising that right;
- Any time limit on the validity of the information provided.

Disclosure on providers' websites should meet all the legal obligations that are incumbent upon them.

CAFII supports this recommendation. We support full disclosure of all relevant information in all distribution channels so that the consumer can make an informed decision.

In addition, CAFII members belong to the Canadian Life and Health Insurance Association and consequently are bound by CLHIA *Guideline G9, Direct Marketing*, which encompasses distribution via the internet. That *Guideline* requires disclosure of all of the information highlighted in this CCIR recommendation with the exception of "*the type of consumer for whom the product is intended.*"

Online distribution is particularly conducive to providing consumers with clear and complete information on the "*type of consumer need*" a product is intended to meet -- which, along with interactive needs analysis tools, helps them assess a product's suitability to their need. We therefore believe that adherence to the disclosure requirements in CLHIA *Guideline G9* and providing information regarding the "*type of consumer need*" met by the insurance product fully satisfy this recommendation.

## **Consumers Have the Opportunity to Review the Accuracy of Information They Provide**

### *CCIR Recommendation*

Providers offering insurance products online should present to the consumer, before a contract is concluded, a summary of the information provided by the consumer in the application form.

CAFII supports this recommendation. The online channel is highly conducive to providing consumers with an opportunity to validate the information they have provided in the application process.

## **Consumers are Aware of the Terms and Conditions**

### *CCIR Recommendation*

Providers offering insurance products online should provide the consumer with a copy of the application and the contract in a form that enables reproduction and storing.

CAFII supports this recommendation and notes that it holds true for all distribution channels. Online distribution has the unique ability to make documentation readily available in a form that provides for ready storage and retrieval.

## **Consumers Can Rely on the Transaction**

### *CCIR Recommendation*

Providers offering insurance products online have the responsibility to use systems on which consumers can rely.

CAFII supports this recommendation. CAFII members have advanced systems in place to ensure the reliability of many forms of consumer e-commerce transactions.

## **The Consumer's Personal Information is Secure**

### *CCIR Recommendation*

In compliance with applicable laws, providers offering insurance products online have the responsibility to make sure that consumer's personal information is secure.

CAFII supports this recommendation. CAFII members have advanced systems in place to ensure the security of consumers' personal information, regardless of channel.

## **Designation of Beneficiary**

### *CCIR Recommendation*

- To protect consumers, and to harmonize standards across Canadian jurisdictions, the Committee concluded that CCIR should recommend that insurers have in place effective systems for offering consumers the option of designating and changing beneficiaries by electronic means.
- Electronic Beneficiary designation transactions should be followed-up with written verification as a critical protection against fraud.
- Any best practice guidelines, whether promulgated by industry or regulators, should clearly address evidentiary issues.

CAFII strongly supports this recommendation. We are in favour of regulation that permits insurers to receive beneficiary designations through the insured's channel of choice. It is our view that permitting electronic beneficiary designations may increase consumer protection by making it more convenient and straightforward for consumers to complete and submit their initial beneficiary designation and/or notify the insurer of a subsequent beneficiary change.

That said, in keeping with provincial electronic commerce legislation, an electronic beneficiary designation should be an option that requires the consent of both parties, and should not be mandatory for either insured or insurer.

We would also like to bring to your attention that it is our understanding that in some provinces, current electronic commerce legislation effectively precludes insurers from offering the option of electronic beneficiary designation. Since Wills may be excluded from the purview of e-commerce legislation and a beneficiary designation is considered a testamentary document, insurers can't guarantee that an electronic beneficiary designation would survive a legal challenge in an estate settlement dispute. We are, therefore, particularly pleased to see the reference to harmonization on this issue, as it would be beneficial to have a uniform approach to both electronic commerce and insurance legislation across all jurisdictions. B.C. and Alberta insurance legislation can serve as models to follow with respect to this issue.

With regard to beneficiary designations being followed-up with written verification as a critical protection against fraud, CAFII members already have processes in place which provide that protection and assurance. It is worth noting that under provincial electronic commerce legislation, the requirement for written confirmation can be satisfied by an electronic communication.

### **Termination of Insurance Contract by Insurer**

#### *CCIR Recommendation*

In the interest of harmonization, the Committee does not recommend changes to existing practices at the current time.

While there are relatively few circumstances where termination of a contract would be insurer-initiated, CAFII supports regulation which allows insurers to communicate and deal with consumers in their channel of choice. We believe that the principle of consumer choice should apply not only to the act of purchasing insurance, but should extend throughout the customer relationship.

In keeping with the overall spirit of the position paper, CAFII recommends that this recommendation be amended to support electronic communication of termination.

At the very least, it should be permissible for insurers to confirm client-initiated terminations electronically, should that be the client's channel of choice. As with registered mail, electronic delivery could be confirmed through the use of acknowledgements, either by way of direct response from the insured or through the use of email "read receipts." Permitting electronic communication of termination of an insurance contract would provide both the insurer and the insured with an additional reliable means of communication based on current and emerging technologies.

## **Comparison Shopping Sites**

### *CCIR Recommendation*

The line between simple comparisons only vs. transacting insurance must be clear. If not properly licensed, these entities must not:

- provide advice,
- hold themselves out as licensed insurers or firms, or
- post insurance applications, which could mislead a consumer into thinking they are an insurance provider.

Regulators will survey these websites and enforce the regulation when needed.

CAFII supports this recommendation.

## **Social Media**

### *CCIR Recommendation*

Social media are a form of communication like any other. CCIR is therefore of the view that the current legislative and regulatory framework apply. Consequently, rules pertaining to, in particular, ethics, advertising, suitability and file record-keeping, are to be followed when insurers and representatives use social media.

CAFII supports this recommendation.