

July 31, 2018

Mr. Roger Sobotkiewicz
Superintendent of Insurance
Financial and Consumer Affairs Authority
#601 – 1919 Saskatchewan Drive
Regina, Saskatchewan S4P 4H2

Dear Mr. Sobotkiewicz:

CAFII has become aware that the Canadian Life and Health Insurance Association (CLHIA) wrote to you on June 5, 2018 to reiterate and amplify upon unresolved concerns about several provisions in the pending Insurance Act in Saskatchewan and The Insurance Regulations developed to support the new Act.

The purpose of this letter is to convey CAFII's agreement with the concerns raised in CLHIA's letter. Our Association supports CLHIA's position that the provisions it has identified in the Act and the Regulations are of serious concern; and that they will be costly and problematic for the industry to implement, without proportionate benefit to consumers.

While we concur with and support all of the unresolved issues set out in CLHIA's letter, we particularly want to highlight the following five which are of major importance to CAFII members:

1) ***Free Look Should Not Apply to Group and Creditor's Group Life Insurance Contracts: Request That Exception to Insurance Act s. 7-21(1) Be Extended in s. 7-5 of The Insurance Regulations***

Saskatchewan's new insurance laws give policy owners the right to rescind their insurance coverage within 10 days of purchasing it. The new Act and the Regulations exempt group and creditor's group accident & sickness insurance contracts, in accord with CLHIA Guideline G10: "10-Day Insurance Contract Rescission Right." However, unlike Guideline G10, the pending laws do not exempt group and creditor's group life insurance contracts. This appears to be an unintended drafting error, as we presume the intent was to exempt both types of group and creditor's group insurance. CAFII strongly encourages Saskatchewan to make the necessary amendment(s) to achieve that objective.

2) ***Harmonize the s. 5-69 of The Insurance Act Definition of "Travel Insurance" Sold Under A Restricted Insurance Agent (RIA) Licence to Match the Definition in Alberta, Manitoba, and BC***

Under section 5-69 of the new Insurance Act, "travel insurance" means (a) a policy that provides certain insurance regarding trip cancellation, interruption, or baggage loss or delay, and (b) group insurance against certain other risks. In Alberta, Manitoba, and BC, the word "group" is not included in subsection (b) of the definition regarding restricted licensing or, in the case of BC, its "insurance licensing exemptions." It would be extremely helpful to the industry to have this provision harmonized with the other provinces that have an RIA licensing regime or insurance licensing exemptions. CAFII strongly encourages Saskatchewan to make the necessary amendment(s) to achieve that objective.

3) ***Premium Refunds: Reinstate Exception for Life Insurance – s. 7-5(2) & (3) of The Insurance Act***

It appears that in combining rules from various sections of the province's existing insurance law, the new Insurance Act inadvertently introduces a rule that requires insurers to issue a pro-rated premium refund on life insurance when the insurance is terminated. Under the province's existing insurance law, life insurance is exempted from this requirement. Life insurance is not priced for such a refund. CAFII strongly encourages Saskatchewan to clarify – via an Act amendment or a Regulation – that this requirement does not apply to life insurance.

4) ***Section 1-2 and 5-5(1) & (2), Insurance Act; and Section 5-2(1) The Insurance Regulations – Insurer's Representative (Definition)***

The current definitions of Insurer's Representative and Insurance Agent under the Act are so broadly worded that they will arguably require many insurance company employees who do not have any direct involvement with the sale of insurance to be licensed at significant cost. That additional cost will ultimately increase the cost of insurance to consumers, without any proportionate increase in consumer protection.

This issue is also of concern for employees of third party administrators, to whom insurers outsource clerical and administrative functions.

CAFII shares CLHIA's view that the focus of licensing requirements should be on those individuals who are engaged in the sale and negotiation of insurance. CAFII strongly encourages Saskatchewan to amend these sections; or, alternatively to clarify them through a Regulation in a manner similar to BC's Financial Institutions Act – Insurance Licensing Exemptions Regulation which contains an exemption for "a person who is an employee of an insurer or insurance agent if the employee does not solicit insurance, is paid a salary by the insurer or insurance agent, and does mainly clerical work."

5) ***Transition Regulation Requested***

It would be of great assistance to the industry if the FCAA could provide guidance, via a Transition Regulation, on how the transition is to be made with respect to the application of new provisions on existing insurance contracts, certificates, and claims. BC and Alberta provided Transition Regulation guidance when they last updated their respective Insurance Acts, which was very helpful in identifying sections that only applied to existing contracts when they were to be renewed or replaced.

Conclusion

As an overarching theme, CAFII urges Saskatchewan to align its new Insurance Act and The Insurance Regulations, to the maximum degree possible, with the recently updated insurance legislation and Regulations of other provinces so that inter-provincial harmonization across Canada can be maximized.

Our Association also shares CLHIA's primary concern that, in the absence of a comprehensive addressing of the unresolved concerns it has reiterated, industry participants will face major difficulties in complying with all of the provisions of the new Act and the related Regulations by January 1, 2019. We add our voice to CLHIA's in respectfully requesting that Saskatchewan delay proclamation of the Act and Regulations until further direction and clarity can be provided for the industry; and to allow sufficient time for compliance with the required changes. Such a course correction is necessary to enable the industry to make a transition that is seamless and effective for consumers.

Should you require further information from CAFII or wish to meet with representatives from our Association at any time on the matters raised in this letter, please contact Brendan Wycks, CAFII Co-Executive Director, at brendan.wycks@cafii.com or 647-218-8243.

Sincerely,



Peter Thorn
Board Secretary and Chair, Executive Operations Committee

c.c. Janette Seibel, Legal Counsel, Legal Branch, FCAA
Ron Fullan, Executive Director, Insurance Councils of Saskatchewan

About CAFII

CAFII is a not-for-profit industry Association dedicated to the development of an open and flexible insurance marketplace. Our Association was established in 1997 to create a voice for financial institutions involved in selling insurance through a variety of distribution channels. Our members provide insurance through client contact centres, agents and brokers, travel agents, direct mail, branches of financial institutions, and the internet.

CAFII believes consumers are best served when they have meaningful choice in the purchase of insurance products and services. Our members offer travel, life, health, property and casualty, and creditor's group insurance across Canada. In particular, creditor's group insurance and travel insurance are the product lines of primary focus for CAFII as our members' common ground.

CAFII's diverse membership enables our Association to take a broad view of the regulatory regime governing the insurance marketplace. We work with government and regulators (primarily provincial/territorial) 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.

CAFII is currently the only Canadian Association with members involved in all major lines of personal insurance. Our members are the insurance arms of Canada's major financial institutions – BMO Insurance; CIBC Insurance; Desjardins Financial Security; RBC Insurance; ScotiaLife Financial; and TD Insurance – along with major industry players American Express, Assurant, Canadian Premier Life Insurance Company, CUMIS Services Incorporated, Manulife (The Manufacturers Life Insurance Company), and The Canada Life Assurance Company.