

Regulatory Update – Board of Directors, April 3, 2014

Prepared By Brendan Wycks, CAFII Executive Director

Executive Summary of this Issue

- **BC's FICOM Identifies Creditor's Group Insurance Issue. Page 2:** In the near future, FICOM will issue an open letter to all insurers authorized to offer creditor's group insurance in BC, which will pose two or three high level filter questions in an effort to ascertain the prevalence of products in the market which may contravene BC insurance legislation with respect to the "structuring and effecting" of creditor's group insurance.
- **Travel Insurance Issues A Growing Concern For Alberta Insurance Council. Page 2:** In an open and transparent discussion with CAFII representatives on March 17/14, AIC leaders Joanne Abram and Ron Gilbertson identified consumer understanding and protection issues related to travel insurance as a growing concern for them.
- **Bill Introduced To Modernize Discipline Process For Insurance Agents And Adjusters. Page 3:** On March 5, Bill 171, which will amend Ontario's Insurance Act, was introduced at Queen's Park. The Bill captures all of the desired changes highlighted in FSCO's 2013 consultation on the need to modernize the process.
- **AMF Fines Industrial Alliance. Page 3:** On February 7, the AMF announced that it had reached an agreement with Industrial Alliance under which the insurer will pay a fine of \$165,000 with respect to commercial practice violations.
- **New Brunswick FNCB Publishes Creditor's Insurance Web Content. Page 4:** The Financial and Consumer Services Commission (FNCB) recently published new consumer advisory content on insurance on its web site, including a section on "Insurance on Your Debts" which will be reviewed by CAFII's Distribution and Market Conduct Committee.
- **FCAC Appoints New Deputy Commissioner. Page 5:** FCAC Commissioner Lucie Tedesco has appointed Brigitte Goulard as Deputy Commissioner, effective immediately.
- **Public Interest Advocacy Centre (PIAC) Supports Federal Financial Consumer Code. Page 6:** PIAC responded to the federal government's consultation around a proposed new financial consumer code with a strong vote in favour. PIAC's Executive Summary contains 12 recommendations, the most interesting of which for CAFII comments on insurance.
- **Consumer Financial Protection Bureau Pursues Another Debt Cancellation Product, Page 6:** Synchrony Financial, General Electric's consumer-credit arm, is in discussions with the CFPB related to 'debt cancellation products' and marketing practices for those services.

British Columbia

Financial Institutions Commission Identifies “Creditor’s Group Insurance Issue”

On March 12, 2014, Harry James, Director, Policy Initiatives with BC’s FICOM contacted Brendan Wycks to provide heads-up information about an issue related to creditor’s group insurance which had led the Commission to impose a Consent Order and fines totaling \$150,000 on Manulife Financial and its subsidiary company Benesure Canada.

In the near future, FICOM will issue an open letter to all insurers authorized to offer creditor’s group insurance in BC, which will pose two or three high level filter questions in an effort to ascertain the prevalence of products in the market which may also contravene BC insurance legislation with respect to the “structuring and effecting” of creditor’s group insurance.

A full summary of the matter, including additional information that was obtained from Harry James on March 19, is found in Appendix A to this Regulatory Update.

Alberta

Travel Insurance Issues A Growing Concern For Alberta Insurance Council

On March 17, 2014, CAFII representatives Moira Gill, John Lewsen, and Brendan Wycks met with Joanne Abram, CEO, and Ron Gilbertson, Chair of the Alberta Insurance Council.

In an open and transparent discussion, the AIC leaders identified consumer understanding and protection issues related to travel insurance as a growing concern for them. A full summary of the issues discussed at this meeting is found in Appendix B to this Regulatory Update.

Manitoba

Minister of Finance Offers Meeting Date Options To CAFII

In late February 2014, Scott Moore, Deputy Superintendent of Insurance, contacted Brendan Wycks to advise that Manitoba’s Draft ISI Regulation would be amended to address nearly all of the concerns expressed by CAFII and other industry stakeholders. He followed that verbal message up with a written confirmation.

On March 21/14, Minister of Finance Jennifer Howard’s Executive Assistant e-mailed Mr. Wycks to offer two April date/time options for a CAFII meeting with the Minister: Thursday, April 10 and Tuesday, April 15. Moira Gill’s advice is that because both meeting dates offered fall within a very busy period for CAFII and since a meeting with the Minister of Finance is no longer urgent, it would be preferable to push it back by a few weeks. Doing so would also give us a better chance of co-ordinating meetings with other stakeholders in Winnipeg on the same day. Brendan Wycks has therefore replied to the Minister’s Assistant that CAFII would prefer a May meeting date.

Ontario

FSCO Releases 2014 Draft Statement Of Priorities

On March 31, 2014, FSCO released its 17th Draft Statement of Priorities and posted it on its web site. The Statement outlines FSCO's and its Tribunal's priorities and planned initiatives for the coming year, and highlights the Commission's key accomplishments in the previous year.

In keeping with the FSCO Act and FSCO's goal of furthering transparency in the regulatory process, FSCO invites interested parties to make written submissions about the matters that should be identified as FSCO's priorities. CAFII will make a response submission by the deadline of May 30, 2014.

Bill Introduces Desired Modernization Changes For Insurance Agent and Adjuster Disciplinary Hearings

On March 5, 2014, Jim Fox, Senior Policy Advisor in the Financial Services Commission of Ontario (FSCO)'s Licensing & Market Conduct Division and leader of its "Modernizing Disciplinary Hearings For Insurance Agents and Adjusters" initiative, e-mailed Brendan Wycks to advise that the desired changes had introduced the previous day at Queen's Park in Bill 171, which will amend Ontario's Insurance Act.

Bill 171 can be found here:

http://www.ontla.on.ca/web/bills/bills_detail.do?locale=en&Intranet=&BillID=2952.

CAFII participated in the 2013 consultation process on the proposed changes led by Jim Fox, through both in-person meetings and a written submission.

Jim advised that

- the modernizations to disciplinary hearings for insurance agents and adjusters are set out fairly succinctly in Section 22 of the amending legislation, which states that "Section 407.1 of the Act is repealed and the following is substituted . . ."
- once the Bill is passed and there is a proclamation date, FSCO will send out a bulletin to the industry and send an e-mail blast to all agents and adjusters.
- the timing of passage and proclamation of the Bill are somewhat uncertain, being dependent upon whether the opposition parties support the Bill and if it goes to committee for clause-by-clause review after second reading. (The Bill went to second reading on March 5).
- there are no new Regulations coming into force with the amending legislation, but Section 17 of the Bill does contain three of the provisions that were in FSCO's consultation paper around increasing the Superintendent's authority:
 - provides the Superintendent with authority to revoke or suspend an agent's licence for failure to pay a fee or admin penalty - 392.5 (4);
 - empowers the Superintendent to issue an Interim order - 392.5 (6); and
 - provides the Superintendent with specific powers with respect to a Request for Licence Surrender – 392.7 (1).

Quebec

AMF Fines Industrial Alliance

On February 7, 2014, the AMF announced that it had reached an agreement with Industrial Alliance under which Industrial Alliance will pay a fine of \$165,000 with respect to commercial practice violations.

The AMF alleged that Industrial Alliance committed various violations related in particular to Industrial Alliance Pacific Insurance and Financial Services Inc., of which it owns the rights and assumed the obligations further to the merger of June 30, 2012, namely, selling student medical insurance policies over some 10 years through persons who were not registered with the AMF, selling Freedom Medical Plan policies through distributors without previously submitting the related distribution guide to the AMF, offering a product ("*Partenaire Élite*") through distributors without previously submitting the related distribution guide to the AMF and without notifying the AMF of an additional distributor, and distributing insurance policies that stated they were administered by Travel Underwriters, a "licensed insurance broker," although the latter is not authorized to operate as such in Québec.

Industrial Alliance also undertook to stop distributing the Student Medical Insurance policy through unregistered persons and generally to set up appropriate measures to ensure that the distribution of its policies complies with the law.

Industrial Alliance Auto and Home Insurance Inc. also agreed to pay the \$25,000 penalty imposed by the AMF for entering into referral agreements with automobile dealers and violating *An Act respecting the distribution of financial products and services* regarding the sharing of commissions with non-registrants.

New Brunswick

Consumer Advisory Content On Insurance Posted To New Web Site

The Financial and Consumer Services Commission (FCNB) recently published new consumer advisory content on insurance on its web site, including a section on "Insurance on Your Debts." That content can be found here: <http://www.fcnb.ca/insurance-on-your-debts.html>. The sub-tabs are "Overview"; "Life Insurance on the Debt"; "Critical Illness or Disability"; and "Credit Card Insurance."

CAFII's DMC should review this content for accuracy and provide feedback to David Weir, Deputy Superintendent of Insurance, as appropriate.

Federal/National

Canadian Council of Insurance Regulators

Stakeholder Meetings A Success: To Be Continued

In the highlights of its January 23, 2014 conference call meeting, CCIR reports that its one-on-one Stakeholder Meetings approach to engagement is working well and will be continued in 2014. On October 29-30, 2013, CCIR met with 13 groups from across the industry, including CAFII.

With two years of success with this approach under its belt, CCIR now plans to make Stakeholder meetings an annual event each Fall in Toronto. The 2014 dates will be announced once they confirmed.

Disciplinary Information Implementation Working Group (DIIWG) Disbanded

With its mandate completed ahead of time and under budget through the December 2, 2013 launch of the Canadian Insurance Regulators Disciplinary Actions (CIRDA) database, CCIR's DIIWG has now been disbanded.

CCIR Strategic Plan, 2014-17

As the term of CCIR's current strategic plan is coming to an end, the Council has begun work on its next three-year plan. CCIR issued a formal call for stakeholder input, and CAFII made a submission in February 2014.

CCIR reports that a Strategic Planning Committee has now been struck and is reviewing the industry input received.

Canadian Insurance Services Regulatory Organizations (CISRO)

LLQP Modernization

On March 18, Ron Fullan, Chair of CISRO and its LLQP Committee, e-mailed Brendan Wycks to provide the following updates:

- at the one-on-one stakeholder meetings held February 10, the Committee received requests for copies of the Detailed Planning documents for each of the study modules. The Committee has therefore posted a “Request for Access to Detailed Planning” document on the CISRO website. Stakeholders need to complete and submit that document to get access to the Detailed Planning documents (B. Wycks is taking care of this registration for access process);
- the Committee has also posted the revised Curriculum document, along with the Curriculum Survey Results; and
- the Committee has scheduled its next stakeholder meetings for May 28, 2014 in Toronto. Exact details will follow, one-on-one sessions will likely be the approach again, and the focus will be on the criteria to be approved as a Course Provider.

CAFII has requested a stakeholder meeting slot on May 28, and Ron Fullan has confirmed that we will have one.

Financial Consumer Agency of Canada

FCAC Appoints New Deputy Commissioner

On March 17, 2014, FCAC Commissioner Lucie Tedesco announced the appointment of a new Deputy Commissioner.

Brigitte Goulard has been appointed Deputy Commissioner of the Financial Consumer Agency of Canada, effective immediately.

The Deputy Commissioner plays a fundamental role for the FCAC. Ms. Goulard brings experience and expertise from within the financial sector that will strengthen FCAC’s capacity to maintain productive relationships and effective oversight, Ms. Tedesco said.

The Deputy Commissioner serves as the Executive Director of the Agency and the senior policy advisor to the Commissioner. Ms. Goulard will be responsible for all aspects of the administration of the Agency and will perform a role similar to that of a Chief Operations, Financial and Administrative Officer of the organization.

Before joining the Financial Consumer Agency of Canada, Ms. Goulard was the Vice-President, Policy and Government Relations, for Credit Union Central of Canada.

Proposed Federal Financial Consumer Code

CAFI responded to the Government of Canada's consultation around a proposed financial consumer code with a succinct submission on February 28, 2014. Following an auto-generated reply acknowledging the submission, the Government also sent a subsequent e-mail advising that all submissions received have been posted on the Department of Finance's web site. Thirty five submissions in total were received.

Public Interest Advocacy Centre (PIAC)

PIAC Strongly Supports Proposed Federal Financial Consumer Code

PIAC responded to the federal government's consultation around a proposed new financial consumer code with a submission that is 72 pages in length, along with an additional 15 pages in two appendices.

PIAC's Executive Summary contains 12 recommendations, the most interesting of which for CAFI is the following:

*ES11: The financial consumer code should have as broad a coverage of financial services as possible. Unfortunately, it cannot encompass investment services due to constitutional limitations. **Likewise, insurance regulation may be too difficult to work into the scope of the code in its first iteration.** However, PIAC is strongly of the view that Canadians consider payments systems to be a part of banking and therefore recommend development of code rules for payments. Should payments matters be dealt with elsewhere, this fact should be revealed publicly and a commitment made to make the payments regime complementary to the financial consumer code.*

International/Global

U.S. National Governors Association (NGA) and National Association of Insurance Commissioners (NAIC)

U.S. State Governors Defend State-Based Insurance Regulation

The National Governors Association (NGA) sent a letter in March to the Secretary of the Treasury supporting the United States' "world-class" state-based regulatory system. "Governors believe that states must maintain their long-standing authority as the functional regulators of the business of insurance. . . . Governors are concerned by the [Federal Insurance Office] report's suggestion of a greater federal role that could invite a dual regulatory system. It is our position that federal laws and regulations must not pre-empt or undermine the strong state-based insurance regulatory system that for more than 140 years has protected consumers and safeguarded the capital adequacy and solvency of insurers." At its Spring 2014 National Meeting, the National Association of Insurance Commissioners supported the NGA's position.

U.S. Consumer Financial Protection Bureau (CFPB)

CFPB Pursues Another Debt Protection Product Marketing Enforcement Action

Synchrony Financial, the new name of General Electric's consumer-credit arm, said in filings with securities regulators in early March that it is in discussions with the Consumer Financial Protection Bureau related to 'debt cancellation products' and marketing practices for those services. It is also in talks with the Justice Department to resolve a separate issue investigated by the CFPB involving a potential violation of federal lending discrimination laws for excluding Spanish-speaking customers from settlement offers, the filing said.

Global Federation of Insurance Associations (GFIA)

GFIA delegation to G-20 stresses insurers' social and economic role

In a series of meetings held during the week of March 17-21, 2014 with the Australian G-20 Presidency, the Global Federation of Insurance Associations (GFIA) called on the G-20 to ensure that all international regulatory reform initiatives allow the insurance sector to continue to support the ambitious economic growth targets agreed upon last month by G-20 finance ministers.

"The GFIA welcomes the Australian G-20 Presidency's focus on long-term growth and its ambitious targets," said Frank Swedlove, chair of the GFIA.

"Sustainable long-term growth requires not only the financial security that insurers offer through efficient risk-transfer mechanisms but also the industry's long-term investments."

Global market for travel insurance, assistance forecast to grow to US\$18.1 billion by 2017: Finaccord

The global market for stand-alone travel insurance and assistance (excluding policies linked to credit cards and bank accounts) was worth approximately US\$13.8 billion in 2013 and is expected to grow to US\$18.1 billion by 2017, notes a statement from Finaccord, a market research, publishing and consulting company specializing in financial services.

That said, Finaccord reports that many of the world's largest and most established travel insurance markets, including a number of European examples and the United States, are either stalling or declining.

Some of the best "opportunities for strong and sustained growth are to be found in Latin America and the Asia-Pacific region, where consumer awareness is often low and where the competitive landscape can be fierce," says Simon Tottman, a consultant at Finaccord.

Extensive primary research across more than 40 individual countries calculates that in 2013, gross written premiums from travel insurance and assistance policies sold on a stand-alone basis were divided regionally as follows: the Americas, 34.6%; Europe, 33.2%; Asia-Pacific, 29.7%; and Africa and the Middle East, 2.5%.

Appendix A

From: Brendan Wycks [mailto:brendan.wycks@cafii.com]

Subject: Further Information Re BC FICOM's Creditor's Group Insurance Issue

In addition to the details set out below in my e-mail message of March 11, 2014, I obtained the following additional information about BC FICOM's Creditor's Group Insurance issue through a phone conversation with Harry James, Director, Policy Initiatives, on March 19:

Relevant Legislation

There are two pieces of BC legislation in play here: the Insurance Act and the Financial Institutions Act. The FI Act contains definitions of classes of insurance that are slightly different from, but not in conflict with, what's in the Insurance Act. Both Acts are germane in the governance and regulation of creditor's group insurance.

Consent Order Details (No Cease and Desist Order)

The Consent Order references four contraventions of the BC Insurance Act made by the Manulife/Benesure creditor's group insurance product:

- (i) Use of unlicensed individuals
- (ii) Payment of commissions to unlicensed individuals
- (iii) Acting as an unauthorized insurer; and
- (iv) Breach of the disclosure requirements, ie. lack of transparency regarding the identities of the insurer and related players and "improper holding out"

The fact that none of the four breaches talks about the insurance policy in question is significant. That's because while BC insurance legislation says that an insurer is prohibited from underwriting a product that the company was not a party to structuring/effecting, the legislation also says that – unless there is an identified immediate harm to consumers – a product in the market that is found to be in contravention will not be found void and immediate withdrawal will not be required.

As a regulator, you look at situations such as this violation of the Act and you weigh things and assess what's the best method for addressing the issue.

If we do find that there are other creditor's group insurance products in the market that are also in contravention, we are likely – unless there's an immediate harm to consumers – to try to work out a solution.

Plans For Open Letter to Insurers Authorized To Offer Creditor's Group Insurance In BC

Our intention is to take a broad, high level approach in the open letter to insurers, which we hope to have out within the next few weeks.

We are not trying to put the industry through a "search and cull" process and we don't want to impose an undue burden. In the letter, we won't be asking for a complete catalogue of products that each company has in the market.

We are trying to come up with the wording for two or three simple "filter questions" that will help insurers to identify whether or not they're offering a product that is of the type that we want to hone in on and take a look at. We want the filters to help make it a simple task.

For example, one filter question might be "Do you offer any policies where the group policy holder is not the lender?" (Conversely, just because the lender is the group policy holder doesn't necessarily mean that that lender was involved in structuring/effecting the contract, so we have to be careful in designing our filters.)

Our goal with the open letter and the filters it will contain as a simple survey is to get a sense of the magnitude of the problem, ie. how many players in the industry may have a product in the market that may be in contravention. We want to find out if it's a small number of companies, such as two or three participants, or if it's a larger number such as 15 or 20.

If it's only a small number, we may decide that the best approach is to work with each company individually on a solution.

Hopefully, with the responses we get to the filter questions that will frame the issue, we'll be able to remove the vast majority of authorized insurers from the picture; and then direct our focus to the rest that may have an off-side product that contravenes the Act in the market.

From: Brendan Wycks [mailto:brendan.wycks@cafii.com]

Sent: March-11-14 3:10 PM

Subject: Important Heads-Up From BC Financial Institutions Commission (FICOM) On A Creditor's Group Insurance Issue

EOC Members:

I received a voicemail this afternoon from Harry James, Director, Policy Initiatives with BC's FICOM, who focuses on insurance regulation (and is Chair of CCIR's TPA Review Committee) – about a creditor's group insurance issue that they are about to post an Enforcement Action on. I then connected with him to get additional information and add some flesh to the bones of his message.

Here is what I've learned:

Later this afternoon, FICOM will be sending to me, as CAFII Executive Director, and to other industry stakeholders an open letter about a contravention issue that FICOM has identified in the market that is germane to those who offer creditor's group insurance.

FICOM has found at least one instance of a product where the contract was not constructed in accordance with the provisions of BC insurance legislation, and that product had been widely distributed.

The culprit is not a CAFII member. It is a large life insurer (Manulife Financial and Benesure Canada Inc.) that has been involved in the provision of mortgage protection insurance.

The key issue that has resulted in a contravention of BC legislation is that the definition of Creditor's Group Insurance only contemplates contracts that have been "effected by the lender." In the known offending case, the group contract was not so constructed; rather, mortgage brokers, as intermediaries, were the group policy holder. The actual lender was not an active participant in the effecting of the contract.

With respect to the offending large life insurer, a Consent Order will be posted on FICOM's web site this afternoon under the Enforcement tab.

<http://www.fic.gov.bc.ca/pdf/enforcement/trust/fia20140228.pdf>

As a result of this investigation and Enforcement Action, FICOM will, within the next few weeks, be doing some fact-finding with the industry, including CAFII members, just to understand whether or not there are similar products out there in the market.

The potential to be off-side the pertinent part of BC legislation arises not just with mortgage brokers, but with a number of different types of intermediaries. Any group product covering a borrower's loan in which the lender was not directly involved in structuring the contract is likely off-side. A "flag" is where the lender is not a contracting party.

The purpose of today's open letter is to provide a heads-up on what the issue is.

Today's letter will be followed-up by a direct letter to each insurer authorized to underwrite creditor's group insurance, on both the life and p&c sides. It'll be a fact-finding letter asking insurers to tell FICOM whether or not they may offer a creditor's group insurance product that is structured in this manner. The questions in the letter will be high level, rather than a formal, detailed survey. FICOM doesn't want to raise alarm bells unduly but it does need to do further investigation and due diligence to find out if this type of inappropriately structured product is fairly isolated in the market right now or if it's more widespread. And to find out if this may be a national issue, or is local to BC.

Appendix B

Regulator Visit Report Confidential: Not For Distribution

Regulator: Alberta Insurance Council (AIC)
Date: March 17, 2014
Location: Stratus Restaurant, TD Centre, Toronto
Purpose: Stakeholder Liaison Meeting requested by AIC; part of Council Chair's industry consultation plan

Attendees:

AIC: Joanne Abram, CEO; and Ron Gilbertson, Council Chair

CAFII: Moira Gill, TD Insurance; John Lewsen, BMO Insurance; and Brendan Wycks, Executive Director

The following are highlights of the industry issues discussed in this luncheon liaison meeting:

Issues Raised By CAFII

Representation For Restricted Licence Holders in Alberta

J. Abram has delivered to Superintendent Mark Prefontaine her proposal that the near-dormant Insurance Adjusters Council be merged into the General Insurance Council. It has been decided that there will be an industry consultation on this change, which will require amendments to existing regulations; so the earliest that it will be implemented is 2015.

This means that the window of opportunity to advance a concept proposal for representation of restricted licence holders in Alberta is still fairly wide open. However, J. Abram would like to receive CAFII's proposal sooner rather than later so that there is time to consider it and work with CAFII and other relevant stakeholders to refine it, as appropriate. She will also be very interested to learn how the Insurance Councils of Saskatchewan decides to handle the industry's proposals for representation for restricted licence holders in that province, as it would probably make sense for Alberta to adopt a similar approach rather than something altogether different.

B. Wycks advised that CAFII had, as promised, requested and received an updated Representation Options Analysis from legal counsel, to reflect the feedback provided in CAFII's December 12, 2013 meeting with J. Abram on this subject.

CAFII is therefore close to being in a position to submit an official proposal on representation to the AIC.

Multi-jurisdictional Licensing and Interprovincial Harmonization

M. Gill described the regulatory compliance issues and hurdles that CAFII members have to meet to offer creditor's group insurance in all jurisdictions in Canada. She noted that the lack of harmonized licensing creates significant obstacles to efficient and effective business practices, which can have a negative impact on the customer's experience.

B. Wycks advised that this long-standing issue of concern for CAFII members was reiterated in the Association's recent letter of support for CISRO's LLQP modernization initiative, as related relevant commentary. This is why CAFII is so delighted with the progress being made by the AIC with the Canadian Insurance Participant Registry (CIPR) initiative, and the potential it holds for a nationally harmonized licensing system.

(J. Abram thanked CAFII for the kudos it had extended to AIC for the CIPR initiative, and for arranging two CIPR demo presentation opportunities for her IT leaders, including an online presentation for CAFII and CADRI members later that afternoon. She acknowledged that AIC was shouldering all of CIPR's development costs and was not looking for any pro-rated cost-sharing contributions from other jurisdictions. AIC views its industry leadership and innovator role with CIPR as "just the right thing to do; and if other jurisdictions want to come on board and help make it a national system, it's our contribution to the national interest.")

J. Abram and R. Gilbertson listened intently to CAFII's concerns on this issue, and asked questions for clarification. J. Abram made the following suggestion: CAFII might want to approach CISRO Chair Ron Fullan and arrange an opportunity to make a brief presentation on this matter at CISRO's next meeting, which is coming up in Banff on Thursday, May 22 and Friday, May 23. She felt that CISRO members would be interested in this presentation and would be a receptive audience.

The CAFII representatives thanked J. Abram for this suggestion and said it would be given serious consideration.

(B. Wycks' observation: J. Abram's CISRO presentation suggestion aligns with feedback provided by G. Swanson of FSCO during CAFII's Stakeholder Consultation Meeting with the CCIR Executive on October 30, 2013, as follows:

Grant Swanson advised that when making the case for a nationally harmonized licensing system, it would be helpful if CAFII illustrated its points via some actual case studies to flesh out the problem and the obstacles that our members encounter in their national operations. We need to help the regulators understand the licensing hoops and hurdles we have to go through to attract new hires and to deliver quality service to consumers. This will help the regulators better understand, and make what otherwise might appear abstract seem real.)

Issues Raised By AIC

Need For A Licensed Insurance Intermediary

R. Gilbertson said that given the increasing complexity of all types of insurance products – including the creditor's group insurance products offered by CAFII members – he is trying to get his head around whether it makes best sense to require the involvement of a licensed intermediary in all insurance transactions, as a better safeguard for ensuring that the consumer understands what he/she is buying.

J. Lewsen delicately countered R. Gilbertson's initial statement on this issue, noting the burgeoning consumer demand for quick, convenient, unfettered access to insurance products through electronic, non-face-to-face channels.

R. Gilbertson acknowledged that that is a fact of today's society and mobile communications business world, noting that is a struggle for a regulator to find the right balance between consumer protection and supporting the efficient and effective conduct of business.

(In a conversation with R. Gilbertson after the conclusion of the meeting, B. Wycks advised him of some additional research-based facts that support CAFII's position on the importance of supporting electronic commerce and alternate distribution channels so that the under-served lower and middle income markets will have access to insurance coverage: the broker/agent sales force is dwindling as new entrants to the profession are not being attracted in the numbers they were 10 years ago; and brokers/agents, being compensated on a commission basis, tend to focus exclusively on high income and high net worth individuals, ignoring lower and middle income consumers.)

Travel Insurance

When asked if there were any particular existing or "on the horizon" industry issues of concern for the AIC, J. Abram and R. Gilbertson replied "Yes, it's travel insurance."

J. Abram indicated that travel insurance is the one area of the restricted insurance licence regime that is causing noticeable numbers of inquiries and complaints. The bottom line is that, often, consumers don't understand what they're buying.

J. Abram and R. Gilbertson explained that, as they see things, there are two issues of regulatory concern related to travel insurance:

- Consumers may be buying travel coverage that they don't really need because it duplicates coverage they already have through a credit card or through their employer's group benefits plan; and this potential duplication/redundancy is not being raised by the insurance salesperson; and
- Consumers, despite their honest best intentions, are not completing the application/enrolment form correctly because they don't understand the medical-related questions. In particular, they don't understand the coverage exclusions based on pre-existing conditions.

J. Abram said that the AIC wants to "get ahead of this issue" and avoid a situation where a travel insurance issue blows up in the legislature based on a consumer complaint of denial of coverage, where the consumer is dumbfounded and has a huge sense of injured merit based on a belief that the travel insurance application form was completed honestly and accurately.

In discussion of this issue, B. Wycks asked what the AIC would think of a "Joint Industry/Regulator Review Group on Travel Insurance Application Forms and Medical Questionnaires" which might have participation from CAFII, THIA, CLHIA, and one or more provincial regulators. J. Abram replied that, in her view, such a proposal would be positively perceived and favourably received by regulators. She noted a "joint" committee seemed particularly appropriate for this issue, as there would definitely be diverse perspectives and different types of expertise that would need to be represented at the table.

CAFII agreed to broach the issue of a Joint Review Group with THIA and CLHIA, and get back to J. Abram on it. She thanked CAFII for agreeing to take the first steps on this proposal.

(B. Wycks' observation: AIC's concerns about travel insurance, which emerged a few years ago, closely parallel both what Dave Minor of TD Insurance reported hearing during a round of regulator visits in late 2012 and early 2013; and the views that Carolyn Rogers, CCIR Chair, shared with CAFII in its Stakeholder Consultation Meeting with the CCIR Executive on October 30, 2013, as follows:

Carolyn Rogers advised that the problem with travel insurance that keeps recurring time and again relates to "Do people know what they're buying, especially as it relates to pre-existing conditions?" And are distributors of travel insurance doing everything they can to ensure that consumers know what they're buying?

The problem always arises in the event of a claim – the moment of truth for the industry – when one is denied, and nearly always the reason for denial is failure to report accurately a pre-existing condition. Carolyn Rogers said that she has been called upon to provide a Briefing Note to the Minister on a number of occasions related to the denial of a travel insurance claim. And the circumstances are always the same, so she can just resurrect and dust off her previous Briefing Note. It's inevitably a retired single or couple, who are snowbirds or are vacationing outside the country when a medical issue comes up. They believe that they have answered all of the questions on the application form honestly, so they're dumbfounded, devastated, and have a real sense of injured merit when they find out that the insurer is refusing to pay their claim.

Grant Swanson advised that a related question is "has the consumer been made aware of all of the travel insurance alternatives available to them?": egs. they may have travel insurance on their credit card; there may be the alternative of a more generous, fully underwritten plan. This is where you get into the issue of advice and supporting Consumer Financial Literacy.

In summing up, Carolyn Rogers said that given that it's the same problem that keeps cropping up with travel insurance again and again, it appears to be a systemic problem. CCIR would appreciate it if CAFII could play a leadership role in dealing with this problem, by striking a group to review and improve Medical Application Forms and the related underwriting process, possibly in conjunction with CLHIA and/or the Travel Health Insurance Association.)