

Agenda Item 3.3
November 28/17 Board Meeting

From: Moore, Scott (FINFIRB) [mailto:Scott.Moore@gov.mb.ca]
Sent: Tuesday, November 21, 2017 4:01 PM
To: 'Brendan Wycks'; 'Keith Martin'
Cc: 'Barbara Palace Churchill'; 'Heather Winters'; Lee Roth
Subject: CAFII Clarification Request Re Concerns Raised In October 19/17 Liaison Meeting With Insurance Council of Manitoba

Brendan/Keith,

Further to Barbara Palace Churchill's email, I would like to provide some additional comments from the perspective of our office's experience.

In the past (prior to the introduction of the Restricted Insurance Agent Licence regime) our office reviewed a number consumer complaints which involved not only auto dealers but also financial institutions (such as credit unions) who were involved in charging the entire insurance premium (creditor related products) up front by adding it to the principal of the loan (versus collecting the premium payments over the course of the loan i.e. monthly, weekly, bi-weekly). Issues around this practice would usually be identified when the consumer (insured) payed out their loan early and then found out that any refund they may have anticipated was generally insignificant. As The Insurance Act or Regulations did not provide us with any jurisdiction over the entities mentioned above who were offering the insurance products to consumers, our office was limited to contacting the insurers who were underwriting the insurance. At that time, our most significant concern was obtaining confirmation from insurers that consumers were being provided with sufficient documentation which clearly disclosed how the premium was being paid (one time or over the course of the loan?).

I trust that this additional information will assist you when you are approaching your Members about how wide spread this practice is and the steps they take in order to ensure that consumers are being provided with sufficient documentation about how the premiums are being paid. If either of you have any further questions, please do not hesitate to contact me.

Regards,

J. Scott Moore
Deputy Superintendent, Financial Institutions
Financial Institutions Regulation Branch
207-400 St. Mary Avenue
Winnipeg MB R3C 4K5
(204)945-1150 Phone
(204)948-2268 Fax
toll free: 1-800-655-5244 (MB only)
email: scott.moore@gov.mb.ca

From: Barbara Palace Churchill [mailto:bpalacechurchill@icm.mb.ca]
Sent: November-21-17 11:29 AM
To: Brendan Wycks <brendan.wycks@cafii.com>
Cc: 'Keith Martin' <keith.martin@cafii.com>; Lee Roth <lroth@icm.mb.ca>; Heather Winters <hwinters@icm.mb.ca>; Moore, Scott (FINFIRB) <Scott.Moore@gov.mb.ca>
Subject: RE: CAFII Clarification Request Re Concerns Raised In October 19/17 Liaison Meeting With Insurance Council of Manitoba

Hello Brendan,

Thank you for your email. Our staff and ISI committee also enjoyed the opportunity to participate in this meeting and dialogue with CAFII and its members. I appreciate the history of open communications that I've seen with ICM and CAFII, and welcome opportunities for this to continue.

During our dialogue, our committee member and our Investigator provided descriptions of situations that they had encountered in discussions with consumers who had raised concerns about these types of "single premium" policies and information they had provided to ICM. To clarify, these situations were posed as examples of instances of these products that we have had knowledge of through information we had received from consumers, and were not intended to challenge CAFII members; the examples were provided for your members' information as to what we have heard directly. ICM has not had a formal investigation of these matters, as our mandate relates specifically to insurance intermediaries who are our licence holders and not to insurers' provision of particular products.

Further to your questions posed below, we have included Scott Moore in this email for his involvement and response to your query, as the questions relate more directly to the Superintendent's mandate with regard to insurance companies and the products they provide. As CAFII members are insurance company providers of products, they are beyond ICM's direct mandate.

We do, however, do have a concern with regard to how these products are being disclosed or explained to consumers at the point of sale by the Restricted Insurance Agents who are dealing directly with the public; those RIAs are our licence holders and within our mandate. We would be interested in learning how CAFII's members ensure there is due diligence in providing information or supports to the RIAs who are distributing their products to ensure appropriate disclosures and explanations to consumers. These products have not only been distributed through auto dealers but also through sales and finance companies, so you may wish the question that is put to your members to be broader than solely auto dealers; the issue of providing appropriate information at the point of arranging credit remains a concern. In instances where a consumer repays a loan earlier than full term, this should result in refunded premium, but we are unsure if this occurs in these single premium situations, or what information is provided to the consumer.

Please let me know if there is any clarification you would need.

Best regards,
Barbara Palace Churchill, LL.B., CPA, CMA
Executive Director
INSURANCE COUNCIL OF MANITOBA
466-167 Lombard Avenue
Winnipeg, Manitoba

From: Brendan Wycks [mailto:brendan.wycks@cafii.com]
Sent: November-09-17 1:36 PM
To: Barbara Palace Churchill
Cc: 'Keith Martin'; Lee Roth; Heather Winters
Subject: CAFII Clarification Request Re Concerns Raised In October 19/17 Liaison Meeting With Insurance Council of Manitoba

Hi, Barbara.

On behalf of everyone at CAFII, thank you to you and your ICM senior staff team; your ISI Committee Members especially Paul Brett for hosting; and to Deputy Superintendent Scott Moore -- for a collegial and productive dialogue and exchange during our delegation's liaison meeting with you on October 19 in Winnipeg.

In that connection, Keith Martin and I want to advise that we are working on the investigation and information-gathering necessary to be able to get back to ICM on the concerns raised about a particular ISI insurance product being sold through auto dealers in your province.

At this time, we're writing to ask you to confirm and/or clarify the questions/asks that you've posed to our Association related to that particular ISI product.

First of all, please confirm that this is an accurate summary of concerns raised during our dialogue (feel free to add and/or clarify, as appropriate):

One member of the ISI Committee raised concerns about a specific product sold in car dealerships, where the insurance coverage related to a vehicle purchase was being sold under a 'single premium' structure and the insurance premium was being rolled into the loan principal for payment.

Two specific fair treatment of consumers concerns were raised with respect to how his product is being sold and structured/administered in Manitoba.

First, this product has resulted in instances where the policy-holder is not receiving a refund of a portion of the insurance premium paid when he/she pays off the loan early, before the amortization schedule has run its course.

And second, it has resulted in instances where almost all of the consumer's periodic loan payments is being applied to cover the insurance premiums and very little is being applied to reduce the principal of the loan, such that even after several years of making periodic payments, the consumer's principal balance on the car loan has remained practically unchanged.

The CAFII members present responded that they were not aware of the existence of such a product. However, ICM Investigator Lee Roth challenged that response, noting that he had investigated consumer complaints related to the product in question, and he suggested that some CAFII members were indeed selling it through relationships with car dealers in Manitoba.

CAFII agreed to look into this matter internally with the Association's members; and to facilitate a response(s) to ICM on the matter once it had been investigated.

Please also confirm and/or clarify what are the specific questions to which you would like our Association or our directly relevant Members to respond. Would they be the following?:

- Does your company offer any 'single premium' insurance products through auto dealers in Manitoba?
- If yes, is your 'single premium' insurance product(s) structured and administered in such a way that the insurance premium is rolled into the loan principal for payment?
- If yes, what corrective measures can be taken to address the Fair Treatment of Consumers issues raised in the dialogue summary above?

Thanks, in advance, Barbara for your awaited reply, which will help us to expedite this matter and facilitate CAFII's response.

Brendan Wycks, BA, MBA, CAE
Co-Executive Director
Canadian Association of Financial Institutions in Insurance
Brendan.wycks@cafii.com
T: 647.218.8243
Alternate T: 647.361.9852
www.cafii.com

Making Insurance Simple and Accessible for Canadians
Rendre l'assurance simple et accessible pour les Canadiens