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**Re: CCIR's 2017-2020 Strategic Plan**

Dear Monsieur Déry:

The Canadian Association of Financial Institutions in Insurance (CAFII) thanks CCIR for the productive discussion and exchange which occurred in our December 12/16 Stakeholder Dialogue with Council members; and for the follow-up invitation to provide written input for your *CCIR Strategic Plan, 2017-2020*.

We congratulate CCIR on the accomplishments made over the past three years on the priorities and objectives set out in the current Strategic Plan.

Over the next Strategic Plan period and beyond, we strongly encourage CCIR to maintain its commitment to a principles- and risk-based regulation. In our view, one of the main challenges facing the Canadian insurance industry and CCIR for the foreseeable future is the pace of change in technological innovation and corresponding changes in how customers want to interact with any business. This trend highlights the need to maintain a flexible and efficient regulatory environment which fosters innovation. We recommend that CCIR “stay the course” and maintain a principles- and risk-based regulatory approach.

The risk-based system adopted by CCIR several years ago produces desired results; it should not be varied from lightly. It allows regulators to allocate resources to the issues or industry players which pose the greatest risk, thereby making best use of their finite resources and their regulation more efficient.

**We propose the following specific priorities for inclusion in your *CCIR Strategic Plan, 2017-2020*:**

**1. Maintain and Elevate Current Strategic Priority of *Partnering With Industry Stakeholders To Identify Opportunities To Reduce Inter-jurisdictional Barriers***

In setting its overall direction and strategic priorities for the 2014 to 2017 period, CCIR identified the following three strategic priorities:

- Align supervision with international best practices to enhance consumer protection.
- Work collaboratively with regulatory partners to grow and leverage national regulatory capacity.
- Partner with industry stakeholders to identify opportunities to reduce inter-jurisdictional barriers.

We believe that CCIR has made significant progress on the first two of these strategic priorities over the past three years and that the underlying objectives have largely been achieved through the new Framework for Co-operative Market Conduct Supervision and the ensuing Annual Statement on Market Conduct. However, we believe that opportunities remain to enhance results against the third strategic priority. We therefore strongly recommend that *Partnering with industry stakeholders to identify opportunities to reduce inter-jurisdictional barriers* be reaffirmed as a priority for the next Strategic Plan period, and that it be elevated in terms of its importance and the allocation of resources it receives.

The need for harmonization, modernization, and simplification of licensing is an ongoing major regulatory challenge. CCIR's leadership in making significant progress in this area will lead to a licensing regime that is better aligned with the Agreement on Internal Trade, which stipulates that individuals with recognized skills and qualifications should be able to work in their field in any jurisdiction in Canada, without undue impediment.

Canadian insurance providers are increasingly using direct channels such as the internet and client contact centres to sell coverage in all jurisdictions. Currently, for individual life insurance, contact centres employ LLQP-trained agents, each of whom must hold licenses from all jurisdictions serviced by the centre, typically 13 different licences.

It is administratively very costly and cumbersome to have to manage licensing for 13 separate jurisdictions (including separate background checks; monitoring expiry dates for each jurisdiction; completion of forms; compliance with multiple continuing education, errors and omissions insurance, and notification requirements).

The reality of client contact centre operations is that customers may contact a centre several times over the course of a transaction -- to ask questions, complete the transaction, or to change coverage. In each case, if the answering agent is not licensed for the jurisdiction of the caller, the call must be transferred and queued for the appropriate agent, even though the answering agent would be fully competent to handle the caller's needs. In these situations, the reality of multi-jurisdictional licensing and the lack of interprovincial harmonization or mutual recognition can create a poor customer experience.

CAFI views a nationally harmonized licensing model – one which recognizes the importance of the telemarketing channel and alleviates the unnecessary burden imposed by multi-jurisdictional licensing – as an imperative. Ideally, if an agent is duly licensed in one jurisdiction, that license should be recognized by other Canadian jurisdictions under a system of mutual recognition, with no further local requirements imposed, other than registration and fee payments.

There is also an urgent need for an integrated national database to facilitate seamless licensing and monitoring of insurance agents across all jurisdictions. A seamless integration of the Canadian Insurance Participant Registry (CIPR), developed by the Alberta Insurance Council, with the private sector APEXA database would provide regulators and the industry with a powerful and cost-effective tool for licensing and monitoring agents.

## **2. Update Regulatory Framework to Foster Innovation and Support Consumer Choice in a Digital World**

Consumer habits are evolving rapidly, and more and more clients expect insurance offerings to cater to their specific needs. Even though *insurtech* (digital innovation in the insurance industry) is currently at an embryonic stage as compared to its more advanced *fintech* sibling, new innovative business models within the insurance industry have emerged, such as micro-insurance and pay-as-you-go insurance.

The unique value proposition of *insurtech* innovation lies in the shift from complexity and long-termism to real-time, easy-to-use, configurable, customized and cost-friendly products and services, all offered with the utmost consumer convenience through digital devices.<sup>1</sup> The biggest winners from *insurtech* innovation will be the end customers, who will benefit from better user experience, more personalized insurance solutions, and possibly improved pricing through lower premiums.<sup>2</sup>

CAFI believes that the regulatory structure should foster an open marketplace where consumers are able to choose how and where to purchase coverage. Our members distribute authorized insurance products and other types of life and health insurance products by direct mail, contact centres, and through the internet; and we share regulators' objective of ensuring that consumers are protected while purchasing products through their channel of choice. It's our view that the future of life and health insurance will be marked by continued and accelerating innovation; and that regulation should embrace the role of all insurance channels in meeting the insurance needs of consumers. In particular, consumers continue to demand greater access to insurance information, purchasing opportunities, servicing, and claims fulfillment through digital means; and we believe that the digital space will play an ever more important role in meeting the insurance needs of Canadians.

We strongly recommend that CCIR play a leadership role in this area by pursuing a specific strategic priority to create an updated, nationally co-ordinated structure which fosters innovation and supports consumer choice in a digital world. That leadership initiative would include reviewing and updating regulatory requirements which were designed for traditional paper-based and personal interaction sales practices, to ensure that they do not create obstacles for meeting consumers' needs in the digital space. The regulatory framework should focus on the quality of consumer outcomes regardless of the mode of interaction or the delivery channel. We advocate a principles-based regulatory framework that is flexible to the changing landscape and can be more easily harmonized across jurisdictions.

### **3. Pursue Uniform and Consistent Implementation, Across All Member Jurisdictions, of CCIR Positions and Recommendations**

CAFI recommends that CCIR pursue, as a strategic priority, an initiative to achieve uniform and consistent implementation, across all member jurisdictions, of previously established CCIR positions and recommendations. We offer the following examples for consideration:

- (i) CCIR's final position paper on *Electronic Commerce in Insurance Products (2013)*  
CCIR should lead in an initiative to see all member jurisdictions implement the legislative and/or regulatory changes necessary to permit electronic beneficiary designations and electronic termination of insurance contracts, where both the insurer and the individual insured agree to those options, by the end of the next Strategic Plan period.
- (ii) CCIR's *Final Report on Privilege Model and Whistle Blower Protection*  
Much of the data being requested in the Annual Statement on Market Conduct, as an example, is proprietary and its public release could be harmful to insurers and result in anti-competitive activities. However, only a minority of provinces/territories have adopted a self-evaluative privilege provision similar to the model endorsed by the CCIR in its *Final Report on Privilege Model and Whistle Blower Protection*. A CCIR strategic priority initiative in this area would see all member jurisdictions adopt self-evaluative privilege by the end of the next Strategic Plan period.

<sup>1</sup> *Opportunities await: How Insurtech is reshaping insurance. Pwc Global Fintech Survey, June 2016.*

<sup>2</sup> *Insurtech: Disruptions and opportunities in the Insurance Industry, Pinebridge Investments, October 2016.*

#### 4. Maintain and Strengthen Regular Communication and Engagement with the Industry

CAFII appreciates and thanks CCIR for the process of good communication, meetings, and consultations that the Council has established with industry stakeholders over the past number of years. The CCIR has made it possible for industry to meet with regulators on major issues. This is important to ensure that industry becomes aware, on a timely basis, of the issues on which regulators are working, thereby allowing industry to participate by sharing information and expertise.

For example, there are many examples where the involvement of industry associations such as CAFII was very helpful, at the earliest stages of issue identification, in discussing issues with regulators before any industry surveys or consultations were released. In this way, we can provide timely background information, help to vet issues, and provide our perspective on any research being undertaken.

As a recommended enhancement in this area, whenever CCIR collects market intelligence data from the industry (such as via the new Annual Statement), the aggregated results should be shared with industry stakeholders. Being able to see aggregate level results is very valuable for industry Associations and for individual companies. For companies in particular, it allows them to benchmark themselves against the overall industry and implement best practices. Sharing aggregate-level data is also a tangible way for CCIR to improve transparency and would allow the industry to see how CCIR “connects the dots” in its regulatory activities.

We strongly support the continuation and enhancement of CCIR’s current communication and engagement process.

#### **Conclusion**

CAFII thanks CCIR for the opportunity to provide this input for consideration in the development of your new Strategic Plan.

In that connection, with respect to our encouragement that *Partnering With Industry Stakeholders To Identify Opportunities To Reduce Inter-jurisdictional Barriers* receive renewed focus and attention, we look forward to supporting CCIR in efforts to “work with stakeholders to identify barriers to trade and at how the barriers could be eliminated; and to work with CISRO to harmonize licensing requirements,” as called for in the current Strategic Plan.

We also look forward to learning of the outcome of your 2017-2020 Strategic Plan deliberations. Should you require further information from CAFII or wish to meet with representatives of our Association at any time, please contact Brendan Wycks, our Executive Director, at [brendan.wycks@cafii.com](mailto:brendan.wycks@cafii.com) or 647-218-8243.

Sincerely,

Eleanore Fang,  
Board Secretary and Chair, Executive Operations Committee  
Canadian Association of Financial Institutions in Insurance

## 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, 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.

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 financial institutions – BMO Insurance; CIBC Insurance; Desjardins Financial Security; National Bank Insurance; RBC Insurance; Scotiabank Financial; and TD Insurance – along with major industry players American Express, Assurant Solutions, Canadian Premier Life Insurance Company, and The CUMIS Group Ltd.

In addition, CAFII has 10 Associates that support the role of financial institutions in insurance.

CAFII 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 its members' common ground.

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.