

Agenda Item 5(b)(iv)
May 23/17 CAFII EOC Meeting

From: Brendan Wycks [mailto:brendan.wycks@cafii.com]
Sent: Friday, May 19, 2017 1:40 PM
To: 'Joanne Abram'
Cc: 'Anthonet Maramieri'; 'wmartinson@abcouncil.ab.ca'
Subject: CAFII Feedback on Definitions of Credit-Related Insurance Authorized for Sale Under a Restricted Insurance Agent's Certificate in Alberta

Hi, Joanne.

In follow-up to our recent discussion at the CLHIA Conference in London where we shared our views on this matter with you verbally, I'm now pleased to communicate in writing CAFII's views on the definitions of the four types of Credit-Related Insurance authorized for sale under a Restricted Insurance Agent's Certificate, in keeping with section 454 of the Alberta Insurance Act, as set out on page 2 of your December 22, 2016 letter to us.

After review and due diligence at both Association-wide and individual member company levels, I can confirm that CAFII

- has no issues with the definition of Creditors' Critical Illness Insurance which the Life Insurance Council recently approved, following input from industry stakeholders; but
- shares the concerns recently identified by CLHIA with respect to the definitions of Creditors' Disability Insurance, Creditors' Life Insurance, and Creditors' Loss of Employment Insurance which were set out on page 2 of your December 22/16 letter.

More specifically, we concur with CLHIA – as itemized in its document “Industry feedback on December 2016 Creditor's Group Insurance Definitions – that

- the language “pays off” could be read as a guaranteed payment. Similarly, the language “pays off the loan” could be read as payment for the entire outstanding loan amount;
- the terms "person" or "debtor" would be preferable to the term "borrower" that is used in the AIC definitions, as they are more commonly used in legislation; and
- the term "beneficiary" is more commonly used in individual insurance and has certain policy-holder rights associated with it that do not extend to CGI products. In addition, using "beneficiary" to describe the creditor could exclude an important exemption for farm, fishery and ranch lines of credit under the Insurance Business (Banks and Bank Holding Companies) Regulations, where the insurance monies may be paid to parties other than the creditor.

It is our understanding that the definitions of Creditors' Disability, Creditors' Life, and Creditors' Loss of Employment Insurance have been used for internal reference purposes within the AIC for a number of years; and the Life Council wanted to integrate the new CI definition with them into a comprehensive package that could be shared publicly.

However, we agree with CLHIA that those previously existing internal definitions, if shared publicly via the AIC website or other public channels, could cause misunderstanding and confusion among consumers.

That said, given that the three long-standing definitions have been working well for internal reference purposes at the AIC, CAFII would support the following solution which we believe that CLHIA has also proposed for your consideration: on your website and/or in other public channels, publish only the list of types of Credit-Related Insurance that are authorized for sale under a Restricted Insurance Agent's Certificate, without any accompanying definitions. That simple solution would allow the three long-standing definitions, along with the new definition of Creditors' Critical Illness Insurance, to continue to be used for internal purposes at the AIC.

Should the Council determine that it definitely must publish the definitions of the types of Credit-Related Insurance for public information, then CAFII strongly recommends that the definitions of Creditors' Disability, Creditors' Life, and Creditors' Loss of Employment Insurance be reviewed and revised in accordance with the comments provided in CLHIA's document "Industry feedback on December 2016 Creditor's Group Insurance Definitions."

Thank you and best regards,

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