

March xx., 2015

Mr. Adam Mitton
Investment Officer
Invest New Brunswick
520 King Street, Suite 850
PO Box 6000
Fredericton, New Brunswick
E3B 5H1

**RE: *Insurance Act* Amendments and Other Changes Needed to Reduce Red Tape,
Improve Business Efficiency, and Promote Inbound Investment and Additional Jobs In New Brunswick**

Dear Mr. Mitton:

Thank you for arranging a meeting with CAFII representatives in Toronto last year to discuss our concerns related to legislative and regulatory obstacles to efficient and effective insurance business operations in New Brunswick. We were pleased to have the opportunity of a candid discussion with you about the concerns outlined in our submission to the Financial and Consumer Services Commission (FCNB) Insurance Division's October 2013 consultation on "Opportunities for Reforming the New Brunswick Licensing Framework for Other-than-Life Insurance Agents and Brokers."

As you'll recall, CAFII's focus as an industry Association is on life and accident and sickness insurance, the sectors of the industry in which our members offer simple, convenient insurance solutions for Canadians through a variety of distribution channels. A shared vantage point among CAFII members is their use of tightly controlled, national bilingual client contact centres, many of which are situated in New Brunswick.

At our 2014 meeting, you extended an invitation to CAFII to submit a letter outlining our recommendations for *Insurance Act* amendments and other changes that we view as necessary to reduce red tape, improve the efficiency of business operations, and promote inbound investment and additional jobs in New Brunswick.

We are pleased to accept and respond to that invitation via this letter, and to provide our recommendations for what we view as much-needed changes. We have prioritized our recommendations into "High Priority Changes" and "Secondary Changes."

High Priority Changes

#1 Implement Online/Electronic Licensing System As Soon As Possible

CAFII strongly supports online/electronic license application and renewal systems as a means to increase efficiency for both regulators and the industry. We recommend that such a system be introduced in New Brunswick at the earliest possible date.

New Brunswick's current labour-intensive, paper-based system for insurance licence applications and renewals is archaic. Combined with under-staffing in the Superintendent of Insurance's office, the system has led to bottlenecks and significant delays in the processing of applications that have increased costs and compromised business efficiency.

CAFII was therefore pleased to learn from you, last June, that the Superintendent had acknowledged the problem and that the Insurance Division planned to implement an online/electronic licensing system as a solution within a year. From our perspective, it's imperative that the one year target date for implementation not be allowed to slip.

We took some reassurance from the fact that in the Insurance Division's recently published *Request For Comments on Proposed Rule INS-001* – to which CAFII will be responding by the April 27, 2015 deadline - there is a specific mention that "the FCNB is working on developing an online licensing system, which would enable applicants to complete the whole application process online, including online applications and payments."

While the implementation of an online/electronic licensing system in New Brunswick will, in and of itself, bring efficiency improvements, the full benefits of this modernization can only be realized through a national online licensing system. New Brunswick's position as a hub for national, bilingual call centres demands this.

Harmonized requirements reduce the cost and complexity of licensing. CAFII therefore strongly recommends that the design and development of New Brunswick's online/electronic licensing system be undertaken with integration with a national system in mind.

To that end, a national business number registration database would facilitate multi-jurisdictional licensing of intermediaries as well as assist insurers and regulators in undertaking background checks and criminal record checks on license applicants.

#2 Repeal Requirement That Licence Applications And Renewals Must Be Sworn Under Oath

CAFII strongly supports the Insurance Division's October 2013 proposal to repeal the *Insurance Act* requirement, found in clause 352(4), that all licence applications and renewals must be sworn under oath.

Replacing the sworn oath requirement with a certification as to the truthfulness of the information provided would (a) reduce administrative burden for licence applicants; (b) bring New Brunswick into harmony with all other Canadian jurisdictions; and (c) remove a significant barrier to an online licensing system.

#3 Implement Mutual Recognition System For Licensees From Other Jurisdictions

CAFII recommends that New Brunswick develop a system that would allow the province to recognize and automatically license applicants who hold an insurance agent licence from another Canadian jurisdiction, under a system of mutual recognition, with no further requirements other than registration and fee payments.

A possible partial first step in this direction, which would constitute a helpful efficiency improvement for CAFII members, would be for New Brunswick and other provinces to accept as valid a licence applicant's recently issued criminal record check from another Canadian jurisdiction.

Currently, for individual life insurance, CAFII member contact centres employ LLQP-trained agents, each of whom must hold licenses from all jurisdictions serviced by the centre, typically 12 different licences. It is administratively very costly and cumbersome to have to manage licensing for 12 separate jurisdictions (including separate background and criminal record 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. This cannot be considered quality customer service.

Businesses have not been able to achieve the growth in alternate distribution channels that customer demand warrants, for reasons directly related to multi-jurisdictional licensing challenges.

CAFII would therefore like the regulatory model to recognize the importance of the telemarketing channel and alleviate the unnecessary burden imposed by multi-jurisdictional licensing.

#4 Amend Insurance Act To Allow Electronic Beneficiary Designations

In its October 2013 final position paper on "Electronic Commerce In Insurance Products," the Canadian Council of Insurance Regulators (CCIR) recommended the following with respect to insurance beneficiary designations:

- to protect consumers, and to harmonize standards across Canadian jurisdictions, the Committee concluded that CCIR should recommend that insurers have in place effective systems for offering consumers the option of designating and changing beneficiaries by electronic means.
- electronic beneficiary designation transactions should be acknowledged by electronic or other means as a critical protection against fraud.
- any best practice guidelines, whether promulgated by industry or regulators, should clearly address evidentiary issues.

CAFII therefore recommends that New Brunswick amend its *Insurance Act* to allow electronic beneficiary designations, which currently do not appear to be contemplated under clause 112(2) of the *Act* dealing with Notices.

We are in favour of regulation that permits insurers to receive beneficiary designations through the insured's channel of choice. It is our view that permitting electronic beneficiary designations may increase consumer protection by making it more convenient and straightforward for consumers to complete and submit their initial beneficiary designation and/or notify the insurer of a subsequent beneficiary change.

That said, in keeping with provincial electronic commerce legislation, an electronic beneficiary designation should be an option that requires the consent of both parties, and should not be mandatory for either insured or insurer.

BC and Alberta recently implemented regulatory changes that may make insurers more comfortable accepting electronic beneficiary designations. And an industry best practices guideline is under consideration in Alberta which may include additional consumer protection such as requiring acknowledgment of the change in beneficiaries by electronic or other means. CAFII members already have processes in place which provide such protection and assurance against fraud.

In addition, the Canadian Life and Health Insurance Association (CLHIA) has in development a proposed guideline for designating, altering or revoking beneficiaries electronically, which was shared with CCIR during its electronic commerce consultation.

Secondary Changes

#5 Empower Superintendent To Issue Temporary Licences

CAFII strongly supports the Insurance Division's October 2013 proposal that the Superintendent should have the power to issue a temporary licence in circumstances where issues pertaining to a licence renewal require investigation but where there is no significant risk to consumers. We recommend that this be addressed via an amendment to the *Insurance Act* at the earliest opportunity.

#6 Eliminate Licensure Distinctions Between Non-Residents And Residents; And Between Agents And Brokers

CAFII supports the Insurance Division's October 2013 proposal to eliminate New Brunswick's current licensure distinctions between non-residents and residents, and between agents and brokers.

Having a level playing field with a single licensure standard for all who sell insurance, regardless of residency and regardless of insurer affiliations, is optimal.

Making this change to the *Insurance Act* will better align New Brunswick 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. In addition, the increasing use of electronic commerce, in all sectors of the insurance industry, has made physical location increasingly unimportant.

In the life sector of the industry, the Life Licence Qualification Program (LLQP) has harmonized entry-level proficiency requirements for agents in all common law provinces; and the current LLQP modernization initiative will bring Quebec into the fold effective January 1, 2016. Therefore, for the life side of the industry, a separate non-resident licence no longer seems justifiable.

#7 Harmonize With Other Provinces Re Captive Adjusters

In other provinces, only independent adjusters who provide services to multiple insurance companies need to be licensed. Adjusters who work solely for one company do not require licensing. However, in New Brunswick, both types of adjusters are required to be licensed.

CAFII therefore recommends that legislative and/or regulatory changes be made to harmonize New Brunswick with other provinces, such that a captive adjuster works for just one company would not have to be licensed.

#8 Implement Grander Vision: Incidental Sellers of Insurance Regime

When it comes time for the FCNB to consider more comprehensive and far-reaching reforms to the province's regime affecting life insurance agents, CAFII recommends that New Brunswick strongly consider a grander and more progressive vision, ie. one which would include the introduction of an Incidental Sellers of Insurance regime – akin to the existing ISI regimes in Alberta, Saskatchewan and Manitoba – which would allow corporate entities to be issued Restricted Insurance Agent licences.

Conclusion

We thank you again for inviting CAFII to submit recommendations for *Insurance Act* amendments and other changes that will reduce red tape, improve the efficiency of business operations, and promote inbound investment and additional jobs in New Brunswick.

We would be pleased to meet with you again and/or with other representatives from Invest New Brunswick or from FCNB to elaborate on or clarify any of our recommendations. We would be prepared to meet in-person in Fredericton or by conference call, as you prefer.

If you would like to arrange a follow-up meeting, please contact Brendan Wycks, our Executive Director, at brendan.wycks@cafii.com or 647-218-8243 to arrange a mutually convenient time.

Sincerely,

Moira Gill
Chair, Licensing Efficiency Issues Committee

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; ScotiaLife 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.