

**Agenda Item 6(b)(i)**  
**March 25, 2014 EOC Meeting**

**Regulator Visit Report**  
**Confidential: Not For Distribution**

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**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 private 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 15 or 20 years ago; and brokers/agents, being compensated on a commission basis, tend to focus exclusively on high income and high net worth individuals, thereby 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.)*