

**Summary of CCIR Position Paper, *Electronic Commerce in Insurance Products*;
and Proposed CAFII Responses**

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Consumer Protection Objective	CCIR Recommendation	Response/Feedback based on CAFII's Submission of April 2012
Consumers Have Access to Additional Information/Advice	<p>On-line insurance providers, whether licensed agents, insurers or firms, have a responsibility to make sure that a consumer purchasing an insurance product makes an informed decision by:</p> <ul style="list-style-type: none"> • Providing the consumer with the information needed, in a timely and comprehensive way; • Giving the consumer access to a suitable level of advice, taking into account, among others, the complexity of the product; • Making the consumer aware of the importance of advice. 	<p>CAFII supports the main thrust of this recommendation.</p> <p>However, we take issue with the final bullet point because an obligation to make the consumer aware of the importance of advice implies steering him/her to a licensed intermediary, which would, in many instances, undermine the consumer's choice and negate the convenience and efficiency of the online channel. CAFII would be more comfortable if this bullet was reworded to "Making the consumer aware of the importance of accessing all relevant information in order to make an informed purchase decision."</p> <p>CAFII believes that consumers should have access to the information and advice they need to make an informed decision on an insurance purchase. Consumer expectations have driven insurance providers to deliver high quality products and services online, and to provide information about them in innovative ways. Consumer accessibility and choice are enhanced through innovative technology, and CAFII members have developed interactive simulations to enable consumers to work through a variety of scenarios enabling them to better understand and choose a product.</p> <p>Most consumers who are shopping for a simple, straightforward insurance product will not ask for, or need, additional information beyond what is already provided in the online application process. However, if and when a consumer has questions or would like access to advice, CAFII members provide it online or, in some cases, by telephone through a licensed agent. CAFII supports consumer choice and the right to access information and advice, if desired, in a channel and manner that suits the consumer's needs.</p>

		<p>NOTE: CAFII's response on this recommendation may be somewhat at odds with CLHIA's. CLHIA is considering providing some commentary on the value or importance of advice.</p>
Consumers Know they are Dealing with a Regulated Entity	<p>To allow a consumer to verify the identity of the service provider and, if need be, to check whether it is registered with the regulator, the following information should be made easily, directly and permanently accessible on the websites of all providers that distribute insurance products online:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Legal name of the provider; <input type="checkbox"/> Geographic address of the provider; <input type="checkbox"/> Telephone and electronic contact information, whereby consumers can reach the provider directly and easily; <input type="checkbox"/> A statement that the provider is registered with the regulator, including its registration number and type; <input type="checkbox"/> Contact information and information on how consumers can file a complaint, including a link to the regulator's website. 	<p>CAFII supports the main thrust of this recommendation.</p> <p>However, we take issue with the requirement to include a link to the web site of the jurisdiction's regulator, for the reasons noted below.</p> <p>CAFII supports requirements that enable consumers to assure themselves that they are dealing with a legitimate, regulated entity, regardless of channel.</p> <p><i>Name, Address and Contact Information</i> It is standard practice in the life and health insurance industry to provide consumers, prior to accepting coverage, with this information. In fact, Section 278 of the Insurance Companies Act requires a federally regulated insurer to set out its name in legible characters in all contracts, premium notices, applications, policies, negotiable instruments and other documents evidencing rights or obligations with respect to other parties. This information is provided to consumers regardless of the channel of purchase.</p> <p><i>Registration Information</i> CAFII agrees that providing registration information on-line would be useful. CAFII is pleased that this recommendation, while requiring prominent online disclosure, does not mandate that registration information appear on the provider's home page. The home pages of CAFII members' web sites are accessed by consumers in multiple jurisdictions. We therefore appreciate the fact that CCIR is allowing for some flexibility in how online providers can enable consumers to confirm that they are dealing with a licensed entity in the appropriate jurisdiction.</p> <p><i>Contact information and information on how consumers can file a complaint, including a link to the regulator's website</i></p>

		<p>CAFII members have well-established processes in place to inform consumers about complaints mechanisms. In that connection, we believe that including a link to the regulator's website could have an unintended negative consequence: creating a false perception that the regulator is the consumer's first right of recourse on a complaint matter. CAFII supports the "company first" approach to complaint resolution; we therefore strongly suggest that "including a link to the regulator's web site" be deleted from this recommendation.</p>
<p>Consumers Have and Understand the Necessary Information about the Products</p>	<p>Providers offering insurance products online should draw to the consumer's attention the following information before buying an insurance product, in a clear and simple language:</p> <ul style="list-style-type: none"> <input type="checkbox"/> The type of consumer for whom the product is intended; <input type="checkbox"/> Main characteristics of the product; <input type="checkbox"/> Options and coverage provided by the product, as applicable; <input type="checkbox"/> Exclusions and limitations associated with the product, if any; <input type="checkbox"/> The total premium and other charges that the consumer will have to pay (including all applicable taxes) or, if an exact amount cannot be indicated, the basis for the calculation of the amount, so that the consumer can verify it; <input type="checkbox"/> The consumer's right to cancel, if applicable, as well as the duration of the cancellation period and procedures for exercising that right; <input type="checkbox"/> Any time limit on the validity of the information provided. <p>Disclosure on providers' websites should meet all the legal obligations that are incumbent upon them.</p>	<p>CAFII members support full disclosure of information in all channels so that the consumer can make an informed decision. We therefore support this CCIR recommendation.</p> <p>Disclosure in Life and Health Insurance</p> <p>Given that all CAFII members are also members of the Canadian Life and Health Insurance Association, and therefore bound by its Guidelines, it is important to note that CLHIA Guideline G9, Direct Marketing, which encompasses distribution via the Internet, requires that insurers disclose the following information prior to the consumer accepting coverage:</p> <ul style="list-style-type: none"> • the name of the insurer that will issue the product • sufficient contact information so that the consumer can communicate with the insurer, if desired • the main type of benefit provided by the product (e.g., life insurance, disability insurance) • the amount of the premium or a description of the basis for determining it, so that the consumer can calculate it • any significant exclusions, restrictions or limitations and consequences of misrepresentation • clarification as to whether the policy is an individual or group policy • the source and date of any statistics used in marketing • confirmation and the effective date of coverage • information regarding rescission rights, if applicable.

		<p>and cancellation</p> <p>With the exception of "the type of consumer for whom the product is intended," CLHIA Guidelines G9 covers all of the items identified in CCIR's "Consumers Have and Understand the Necessary Information about the Products" recommendation, plus three additional disclosures.</p> <p>With respect to drawing the consumer's attention to "the type of consumer for whom the product is intended," the Internet channel is particularly conducive to providing consumers with complete, clear information in this area and helping them to assess a product's suitability through the use of interactive needs analysis tools and educational aids.</p> <p><i>Clear Language</i> CAFIL supports the use of clear, plain language information in all channels. Given the nature of an insurance policy as a legal contract, however, our members cannot avoid the use of technical and legal terminology in all instances. We work hard to minimize the use of such language, and strive to use clear, plain language to the highest degree possible in all communications and interactions with consumers.</p>
Consumers Have the Opportunity to Review the Accuracy of Information They Provide	Providers offering insurance products online should present to the consumer, before a contract is concluded, a summary of the information provided by the consumer in the application form.	<p>CAFIL supports this CCIR recommendation. The online channel is highly conducive to providing consumers with an information validation opportunity, via a summary of the answers they've provided in the application process.</p> <p>In addition to pre-purchase validation, consumers have a 'free look' period of 20 to 30 days following their receipt of the insurance contract, during which they may evaluate the product purchased, review the information they provided, and cancel the policy for a full premium refund if they so choose.</p>
Consumers are Aware of the Terms and Conditions	Providers offering insurance products online should provide the consumer with a copy of the application and the contract in a form that enables reproduction and storing.	CAFIL strongly endorses this CCIR recommendation, and note that it holds true for all distribution channels. Internet distribution can make policy documentation readily available in a form that provides for ready storage and retrieval.

Consumers Can Rely on the Transaction	Providers offering insurance products online have the responsibility to use systems on which consumers can rely.	CAFII strongly supports this CCIR recommendation. CAFII members, as financial institution-based insurers and their business partners, have long had technologically advanced systems in place to ensure the reliability of many forms of consumer e-commerce transactions.
The Consumer's Personal Information is Secure	In compliance with applicable laws, providers offering insurance products online have the responsibility to make sure that consumer's personal information is secure	CAFII strongly supports this CCIR recommendation. CAFII members, as financial institution-based insurers and their business partners, have long had technologically advanced systems in place to ensure the security of consumers' personal information regardless of channel.
Designation of Beneficiary	<p>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.</p> <p>Electronic Beneficiary designation transactions should be followed-up with written verification as a critical protection against fraud.</p> <p>Any best practice guidelines, whether promulgated by industry or regulators, should clearly address evidentiary issues.</p>	<p>CAFII strongly supports this CCIR recommendation, as 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.</p> <p>We are pleased to see the reference to harmonization across jurisdictions on this issue, as it would be optimal for the industry for all jurisdictions to adopt a uniform approach.</p>
Termination of Insurance Contract by Insurer	In the interest of harmonization, the Committee does not recommend changes to existing practices at the current time.	<p>As previously stated, CAFII strongly supports consumer choice and regulation which allows insurers to communicate and deal with consumers in their channel of choice. Therefore, CAFII does not support this status quo recommendation.</p> <p>Contract termination by insurers is primarily relevant to accident and sickness insurance. This area is governed by legislation which specifically requires insurers to give notice of termination of insurance contracts through "registered mail" or "personal delivery."</p> <p>From an industry perspective, it would be preferable for legislation to provide the option for notice of termination to be provided electronically. As with registered mail, electronic delivery could be confirmed through the use of acknowledgements, either by way of direct response from</p>

		<p>the insured or through the use of email “read receipts”.</p> <p>Permitting electronic communication of termination of an insurance contract would provide both the insurer and the insured with an additional reliable means of communication based on current and emerging technologies.</p>
COMPARISON SHOPPING SITES	<p>The line between simple comparisons only vs. transacting insurance must be clear. If not properly licensed, these entities must not:</p> <ul style="list-style-type: none"> • provide advice, • hold themselves out as licensed insurers or firms, or • post insurance applications, which could mislead a consumer into thinking they are an insurance provider. <p>Regulators will survey these websites and enforce the regulation when needed.</p>	<p>CAFIL supports this CCIR recommendation, particularly insofar as we agree that the provision of advice with respect to insurance products should be limited to regulated entities.</p> <p>However, because CAFII members consider the use of Comparison Shopping Sites to be a strategic decision and not all CAFII members participate in such sites, it is not appropriate for CAFII to comment further on this recommendation.</p>
SOCIAL MEDIA	<p>Social media are a form of communication like any other. CCIR is therefore of the view that the current legislative and regulatory framework apply. Consequently, rules pertaining to, in particular, ethics, advertising, suitability and file record-keeping, are to be followed when insurers and representatives use social media.</p>	<p>CAFIL acknowledges the potential of social media as a sales and service tool, and that its use is a matter of interest to insurers across all distribution channels. CAFII members are developing policies and procedures to ensure that their participation in social media, and that of their agents and business partners, is consistent with their organizational values and legislative and regulatory requirements.</p> <p>NOTE: We may want to address how CAFII members are managing the rules around ethics, advertising, suitability and record-keeping in social media.</p>