

Agenda Item 6(c)
June 8/21 Board Meeting

CAFII Response Submission To David Weir, FCNB On Follow-up/Clarification Question Arising From CAFII's January 2020 Response Submission To FCNB's RIA Licensing Regime Public Consultation

From: Brendan Wycks

Sent: May-20-21 11:36 AM

To: Weir, David (FCNB) <david.weir@fcnb.ca>; Keith Martin <Keith.Martin@cafii.com>

Subject: RE: Restricted licensing framework - travel insurance

Hi, David. Here is CAFII's response to your follow-up question of May 11/21:

The reason why bank/federally regulated financial institution (FRFI) branch employees are prevented from being licensed as insurance agents stems from (i) the fact that only "Authorized Insurance Products" can be sold from bank/FRFI branches; (ii) the fact that travel insurance is an Authorized Insurance Product as defined within the federal Bank Act and the federal Insurance Business (Banks and Bank Holding Companies) Regulations (IBBRs); and (iii) the intersection between those federal legislative/regulatory realities and provincial/territorial regulatory and licensing requirements.

While the federal Bank Act and section 5(1) of the federal Insurance Business (Banks and Bank Holding Companies) Regulations (IBBRs) do permit banks and other FRFIs to offer advice regarding Authorized Insurance Products – of which credit protection insurance (CPI) and travel insurance are two main types - the offering of that advice is significantly tempered by provincial/territorial regulatory and licensing requirements.

The nature of the advice that bank/FRFI representatives are permitted to provide around an Authorized Insurance Product/CPI is strictly limited to the Authorized Insurance Product itself and must not include suitability-related measures such as a needs-based financial/insurance assessment, Know Your Client tools, or holistic advice.

In the case of Authorized Insurance Products/CPI, because the consumer is purchasing/enrolling in optional insurance related to a single and specific borrowing need such as a mortgage or line of credit – and that scenario falls within the scope of activity permitted to occur through a non-advisory sales channel, i.e. the business must provide consumers with sufficient information, which meets provincial/territorial regulations and industry commitments and guidelines, to enable them to make an informed decision – Authorized Insurance Products/CPI, including travel insurance, are typically offered by non-licensed individuals in bank/FRFI branches in all provinces and territories and throughout Canada. Non-licensed individuals are strictly prohibited from offering advice and recommending an insurance product as "suitable."

Therefore, there is a strong argument to be made that requiring bank/FRFI branch employees to be individually licenced to sell travel insurance would frustrate the existing happy balance/medium between federal and provincial/territorial insurance legislation and regulations; and it would ultimately prevent CAFII members from offering travel insurance in their branches.

Brendan Wycks, BA, MBA, CAE

Co-Executive Director

Canadian Association of Financial Institutions in Insurance

From: Weir, David (FCNB)

Sent: Tuesday, May 11, 2021 1:07 PM

To: Brendan Wycks <brendan.wycks@cafii.com>; Keith Martin <Keith.Martin@cafii.com>

Subject: Restricted licensing framework - travel insurance

Hello Brendan and Keith,

I hope that you, your families and colleagues are well.

We are currently working on finalizing our recommendations for the rule for insurance intermediary licensing, including recommendations for a restricted insurance representative licensing framework. As previously indicated, the rule will be posted for 60 days to allow for stakeholder comment.

In CAFII's January 2020 response to FCNB's **Consultation Paper Insurance 2019: Incidental Selling of Insurance, Restricted Insurance Licensing Regime**, you indicated that CAFII would prefer that travel insurance be included within NB's restricted licensing regime.

You also indicated that:

Requiring federally regulated financial institution (FRFI) employees to be individually licensed to sell travel insurance would prevent CAFII members from selling travel insurance from their branches because bank branch employees are not permitted to be licensed insurance agents. Such a scenario would result in restricted access to travel insurance for New Brunswickers, access which is available to consumers in all other provinces and territories.

Can you please elaborate on what prevents bank branch employees from being licensed as insurance agents? If there is a specific prohibition in legislation or regulation, can you please advise? We are hoping to present our final recommendations to senior staff in a few weeks and therefore would appreciate if you are able to respond soon.

Thank you and best regards,

David Weir

Financial and Consumer Services Commission of New Brunswick

Commission des services financiers et services aux consommateurs