

April 16, 2015

Mr. Jay Reid
Investment Attraction Officer
Opportunities New Brunswick
520 King Street, Suite 850
PO Box 6000
Fredericton, New Brunswick
E3B 5H1

Subject: *Insurance Act* Amendments And Other Changes To Facilitate The Sale Of Insurance In New Brunswick

Dear Mr. Reid:

This letter is in follow-up to a meeting that representatives from the Canadian Association of Financial Institutions in Insurance (CAFII) had with Adam Mitton in Toronto in 2014 to discuss our concerns related to legislative and regulatory obstacles to efficient and effective insurance operations in New Brunswick. During that meeting Mr. Mitton 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 respond to that invitation and our recommendations are listed below starting with initiatives that are already under consideration.

1. Expedite Launch Of Online Licensing System

CAFII supports the introduction of an online/electronic license system and we were pleased to learn in mid-2014 that the Insurance Division of the New Brunswick Financial and Consumer Services Commission had committed to develop and implement an online/electronic licensing system within one year.

The province's current paper-based system for insurance licence applications and renewals has led to bottlenecks and significant delays in the processing of applications and CAFII feels strongly that the one-year target date for implementation should not be allowed to slip.

CAFII also 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. A national online system would facilitate multi-jurisdictional licensing 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. We acknowledge that this requirement has effectively already been eliminated for licence renewals; however, an *Act* amendment is still required to remove the oath requirement from the governing legislation.

3. Eliminate 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 single standard regardless of residency and or insurer affiliations would level the playing field for all who sell insurance in New Brunswick.

4. 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.

5. Implement a Mutual Recognition System For Licensees From Other Jurisdictions

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

For individual life insurance, CAFII member contact centres employ LLQP-licensed agents. Customers may call a centre several times over the course of a transaction. If the answering agent is not licensed for the jurisdiction of the caller, the call needs to be transferred and queued for an appropriately licensed agent, even though the answering agent would be able to handle the caller's needs.

This would not be a good customer experience so CAFII member contact centre agents typically hold licenses from all jurisdictions serviced by the centre. This results in as many as 12 separate licenses, each requiring separate forms, background and criminal record checks, monitoring of expiry dates, compliance with continuing education requirements, and errors and omissions insurance.

With life insurance ownership in Canada at a record low level, it is vitally important that customers have easy access to call centres, and CAFII would like the regulatory environment to alleviate the unnecessary burden imposed by multi-jurisdictional licensing.

A possible partial first step towards a system of mutual recognition would be for New Brunswick to accept an applicant's recently issued criminal record check from another Canadian jurisdiction.

6. Amend Insurance Act To Allow Electronic Beneficiary Designations

Consistent with the Canadian Council of Insurance Regulators' (CCIR) October 2013 final position paper on "Electronic Commerce In Insurance Products," CAFII recommends that New Brunswick amend its *Insurance Act* to allow electronic beneficiary designations under clause 112(2) of the *Act* dealing with Notices.

The recommendations on insurance beneficiary designations in the CCIR final position paper are:

- 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 believes that regulations should permit insurers to receive beneficiary designations through the insured's channel of choice. The ability to name a beneficiary is of critical importance and it is our view that consumer protection will increase if it is more convenient and straightforward for consumers to complete and submit their initial beneficiary designation and/or notify the insurer of a subsequent beneficiary change.

However, 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 the insured or insurer. Alberta is considering additional consumer protection such as requiring acknowledgment of the change in beneficiaries by electronic or other means and CAFII members already have processes in place which provide such protection against fraud.

Conclusion

We thank Opportunities New Brunswick for giving CAFII the opportunity to submit recommendations for *Insurance Act* amendments and other changes which we feel will reduce red tape, improve the efficiency of business operations, and promote additional jobs in New Brunswick.

We would be pleased to meet with you and/or with other representatives from Opportunities New Brunswick or from FCNB to discuss our recommendations 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,

A handwritten signature in dark ink, appearing to read "G. Grant". The signature is fluid and cursive, with the first name "Gregor" and last name "Grant" clearly distinguishable.

Gregor Grant
Secretary and Chair, Executive Operations 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.