

March 5, 2024

Angela Mazerolle, Vice-President, Regulatory Operations; and Superintendent of Insurance and Pensions, Financial and Consumer Services Commission of New Brunswick (FCNB)
225 King Street, Suite 200
Fredericton, New Brunswick E3B 1E1
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Dear Ms. Mazerolle,

Further to our meeting with you and your colleagues from FCNB in Fredericton, New Brunswick, on September 22, 2023, we would like to express our appreciation for the opportunity to engage in a dialogue with FCNB on a variety of issues of mutual interest, including matters related to your recent introduction of a new licensing regime. You indicated an interest in receiving our key observations and comments on that regime and its implementation, and the Canadian Association of Financial Institutions in Insurance (CAFII) is pleased to share some of our thoughts and recommendations with the Financial and Consumer Services Commission of New Brunswick (FCNB) through this letter.

Technology Issues and the Online Portal

CAFII members have shared feedback on their desire to ensure a streamlined application process in New Brunswick. We appreciate the improvements that have been made to the application process for the online portal; however, concerns still remain around the renewal process on the FCNB portal. We would like to suggest that an online session on the renewal process on the portal with our members could be a valuable use of time that could allow for some important feedback on some of the remaining challenges with the portal. In addition, CAFII suggests that the introduction of new, or upgrades to existing, platforms include testing or piloting with a small group of industry participants. This would ensure any potential issues are remedied before a formal launch.

As an example of one remaining problem around the licensing process, we note that in the *Proceedings and Judgements* section, there was in the original application flow for Question #3, “Are there any legal proceedings against the firm?” the option to add general comments to explain the response. In the renewal process, however, there is no such option. If the applicant indicates ‘No,’ they can advance without providing any explanation, whereas if they answer ‘Yes,’ they must add what appears to be the specific details of any such proceedings, which we presume would apply to any and all such proceedings.

If our interpretation is correct, that could be problematic for major financial institutions. In the ordinary course of business for large financial institutions and their subsidiaries, they are routinely defendants in or parties to a number of pending and threatened legal actions, including actions brought on behalf of various classes of claimants.

As a result, it would be preferable if the renewal allowed for a “Yes” answer, with the provision of a general comment box to clarify with a general statement that we, the applicant, have legal proceedings in process at any point in time as a part of normal business activities, rather than having to list any or all these proceedings.

Remaining Concerns with Section 46

CAFII has ongoing concerns about the Section 46 requirement in FCNB's Rule INS-001, which states:

A restricted insurance representative, or an employee of a restricted insurance representative, shall advise potential clients that he or she is not a licensed insurance agent and that the potential client may wish to seek advice from a licensed insurance agent.

We appreciate that FCNB has permitted this requirement to be achieved through the fulfillment of materials distributed to customers. However, we wish to point out that changing wording to fulfillment packages is a significant undertaking involving limited resources and requires time to plan and implement. In the event that the FCNB decides to review or amend the Rule in future, we do request consideration of introducing language that includes referencing other sources of information to a consumer, such as financial planners or the insurance company offering the insurance.

Remaining Concerns with Section 45

CAFII also has reservations about Section 45:

If a restricted insurance representative, or an employee of a restricted insurance representative, receives, or will receive any direct or indirect compensation, inducement or benefit from the insurer that exceeds 30% of the price paid by the consumer for an insurance product, the restricted insurance representative shall, at the time the applicant applies for insurance, inform the applicant of the amount of compensation, inducement or benefit or the basis for calculating the amount of the compensation, inducement or benefit.

Our concern about this clause is that it requires that sensitive competitive information be released about various insurers. For example, insurers may be offering different commissions to different intermediaries, and by requiring that the actual amount of the incentive be provided to the consumer, these private compensation details will become public. Commissions can vary between providers based on a variety of factors, including their size and the scale of the business they have with the insurer, but we do not believe that these are harmful to consumers, nor do we feel that limiting the information provided to consumers to informing them that the commission is above 30% would be detrimental to the protection of consumers. We would recommend that consideration be given to amending this requirement so that the consumer needs to be told when the compensation is 30% or more, without having to divulge the actual amount.

Should you require further information from CAFII or wish to meet with representatives from our Association on this submission or any other matter at any time, please contact Keith Martin, CAFII Executive Director, at keith.martin@cafii.com or 647-460-7725.

Sincerely,

A handwritten signature in black ink, appearing to read 'Rob Dobbins', followed by a horizontal line.

Rob Dobbins
Board Secretary and Chair, Executive Operations Committee

About CAFII

CAFII is a not-for-profit industry Association dedicated to developing an open and flexible insurance marketplace. Our Association was established in 1997 to create a voice for financial institutions involved in selling insurance through various distribution channels. Our 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 choices in the purchase of insurance products and services. Our members offer credit protection, travel, life, health, and property and casualty insurance across Canada. In particular, credit protection insurance and travel insurance are the product lines of primary focus for CAFII as our members' common ground.

CAFII's diverse membership enables our Association to take a broad view of the regulatory regime governing the insurance marketplace. We work with government and regulators (primarily provincial/territorial) to develop a legislative and regulatory framework for the insurance sector, which helps ensure that Canadian consumers have access to insurance products that suit their needs. Our aim is to ensure that appropriate standards are in place for the distribution and marketing of all insurance products and services.

CAFII's 14 members include the insurance arms of Canada's major financial institutions--BMO Insurance, CIBC Insurance, Desjardins Insurance, National Bank Insurance, RBC Insurance, Scotia Insurance, and TD Insurance, along with major industry players Assurant Canada, The Canada Life Assurance Company, Canadian Tire Bank, Chubb Life Insurance Company of Canada, CUMIS Services Incorporated, Manulife (The Manufacturers Life Insurance Company), and Securian Canada.