



June 29, 2012

The Canadian Council of Insurance Regulators
CCIR Secretariat
5160 Yonge Street, Box 85
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CCIR Position Paper
*The Managing General Agencies (MGAs) Distribution Channel
in the Life Insurance Industry*

CAFII has reviewed the CCIR's Agencies Regulation Committee (ARC) paper on MGA distribution of life insurance. CAFII has been following and supporting the consultations to date and congratulates the committee on its research and findings. We offer two comments for your consideration:

Outsourcing

We note from the paper that there was a consensus that core insurance functions (including claims handling) are not now and should never be delegated to MGAs. The reason behind this was noted in the paper that such delegation could "result in conflicts of interest and unequal treatment of customers" (page 5). CAFII would like to note that outsourcing of claims handling to parties other than MGAs is an accepted industry practice which provides companies with operational support alternatives and which is beneficial to consumers. While outsourcing to MGAs is not a current practice, existing outsourcing of claims handling to appropriate parties should be considered an acceptable practice to continue.

Information Needs of Regulators

Recommendation 4 notes the need for adequate information on life agents and MGAs. As you may know, the Alberta Insurance Council is proposing to develop a business number database to include important information on licensees which would include any disciplinary actions. This database is intended to have a unique business number for each licensee from all Canadian jurisdictions. CAFII supports a business database as it will provide important information when conducting background checks. As well, the standardization of licensee information will facilitate multijurisdictional licensing. CAFII recommends that the Alberta Council and the CCIR co-ordinate to develop one database that will serve regulators' and industry's needs.

Once again, CAFII congratulates the CCIR on the MGA position paper. Please feel free to contact CAFII if you have any questions on the points raised.

Yours truly,

A handwritten signature in black ink, appearing to read "Cathy Honor". The signature is written in a cursive, flowing style.

Cathy Honor, Chair
Canadian Association of Financial Institutions in Insurance