



Submissions of the General Insurance OmbudService (GIO) to the *Financial Institutions Act* and *Credit Union Incorporation Act* Review, 2015.

GIO will limit its comments to questions in the Initial Public Consultation Paper that engage our expertise in complaints handling, including access to complaints handling resources.

## **Overall / Framework Issues**

### **Issue 1: Financial Consumer Protection**

#### **Questions:**

- 1) *Should BC consider adopting a market conduct code for fair treatment of consumers that would apply to financial institutions? If so, should there be one code for all financial institutions or separate codes for different types of financial institution?*

GIO Response: Yes, a market conduct code could enhance consumer protection. Although GIO deals only with Home, Auto and Business insurance complaints, we do (along with the OmbudService for Life and Health Insurance (OLHI)) subscribe to a set of principles which are essentially a conduct code for fair treatment of consumers. These are contained in the *Insurance OmbudServices Cooperation and Oversight Framework*, available at <https://www.giocanada.org/governance/>.

These principles not only comprise a code, they outline our relationship with regulators across Canada, through the Canadian Council of Insurance Regulators (CCIR). They include guidelines on Independence, Accessibility, Scope of Services, Fairness, Methods and Remedies, Accountability and Transparency, and Third Party Evaluation. They also echo the consumer protection principles of the OECD, economic resolutions of G8 summits, and the Fundamental Principles adopted by the International Network of Financial Services Ombudsmen. These principles outline how and where we pursue best practices, and are transparent to governments, the insurance industry and consumers.

Should there be one code for all financial institutions? One code applies for Canada's two national insurance ombudservices. The third, the Ombudsman for Banking Services and Investments, is engaged with different regulatory oversight. The answer to this question will best lie in focused consultation with each sector of financial services operating in BC.

- 2) *Should BC credit unions be required to have an internal complaint handling process and to offer member access to an independent ombudservice?*

GIO Response: A qualified yes. The experience of GIO over the last thirteen years is that both consumers and their property and casualty insurance companies have benefitted from the presence of an independent complaint handling service. Our experience has also shown that voluntary participation among financial institutions does not facilitate uniform membership coverage. This has only been achieved with regulatory support.

3) *Should ombudservices be mandated for addressing consumer complaints against mutual insurers and/or insurance agents and brokers?*

GIO Response: Mutual insurers: Yes but there are options here. In spite of the unique characteristics of many mutual companies, their policy holders are consumers and their relationship with their insurers operates in the same legal framework as for other insurers. In Canada there is an ombudservice established by the mutual companies, the Mutual Insurance Companies OmbudService (MICO). This operates as an alternative to GIO for some mutual companies. GIO has mutual companies among its subscribers, and would welcome more. It remains open to BC to allow this alternative to GIO. The important factor is that all policyholders in BC have access to an independent ombudservice.

Insurance Agents and Brokers: The current mandate of GIO is to operate between consumers and their insurers, where the relationship is supported by a legal contract, the insurance policy. Agents and Brokers in BC have a self-regulatory organization, the Insurance Council of British Columbia, which includes complaint handling as part of its mandate.

<https://www.insurancecouncilofbc.com/PublicWeb/ConsumerCorner.html>.

GIO views this as the appropriate body to handle complaints about Agents and Brokers. The relationship between consumers and Agents and Brokers is supported by the professional duties of Agents and Brokers, the relationships between insurance companies and Agents and Brokers, and by rules of law unique to the activity. Having the body that already provides professional oversight to Agents and Brokers carry the responsibility for complaint handling is a better fit.

### **Issue 3: Financial Literacy**

#### **Questions:**

1) *What role should financial institutions and intermediaries play in contributing to and fostering financial literacy? Are there any legislative impediments to their doing so? Do financial institutions need additional tools to help fight financial abuse?*

GIO Response: Financial Institutions and intermediaries are in an excellent position to contribute to financial literacy. A simple step such as providing links to resource websites is an important contribution and enhances the reputation of the institution or intermediary as a source of information and assistance to its customers.

As a broad principle, any entity offering a form of protection should explain the limits of that protection. In the case of property insurance this is particularly important given the presence of

other forms of protection available to consumers, such as disaster relief provided by governments.

- 2) *What role should the provincial government have with respect to promoting financial literacy? Is there a need to duplicate or complement efforts being undertaken at the federal level, particularly for provincially regulated institutions?*

GIO Response: Provincial governments could emphasize those aspects of literacy that have particular importance in the province. Two key examples applicable to BC are earthquake insurance and flood insurance. Duplication here is a positive, particularly with subjects such as disaster preparedness.

- 5) *Do governments, including the BC provincial government, need to better communicate government policies in areas such as earthquake disaster relief? Are there other measures government should be taking with respect to earthquake or catastrophic loss insurance?*

GIO Response: Yes. No matter what measures are in place already, in the aftermath of a major natural disaster like an earthquake, there will be overwhelming need for information and help. Duplication is not a problem in such urgent circumstances. Given the limitations that can exist in availability of earthquake insurance cover, for example, a full explanation of how insurance coverage and disaster relief respond to a loss situation, is valuable to give consumers a comprehensive picture of who does what.

To fully address a natural catastrophe loss situation, insurance industry representatives, first responders, and governments at all levels should cooperate and coordinate as much as possible. This is particularly important in areas such as earthquake or flood events where neither the insurance industry nor government is in a position to provide a complete solution to consumers.

#### **Issue 4: Technological Change**

**Questions:**

- 2) *Are any changes needed to ensure consumers continue to be protected and provided with the information they need to make informed choices?*

GIO Response: Where insurers offer the opportunity to purchase policies on-line whether directly with the insurer or through an intermediary, this capability should be supported with optional access to a live agent, broker or insurer representative in the event of technical difficulty or questions not answered by the on-line resource. This live-agent access should be multi-channel; via e-mail, live on-line chat or telephone contact.

Respectfully submitted,  
General Insurance OmbudService  
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