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Via Email to: fiareview@gov.bc.ca

The Canadian Association of Independent Life Brokerage Agencies (CILBA) wishes to thank the Ministry of Finance for the opportunity to comment on the broad review of the Financial Institutions Act (FIA) and the related Credit Union Incorporation Act (CUIA). CILBA is the single voice for Managing General Agents (MGAs) across Canada. We are a national industry association that helps our members to stay abreast of change and effectively implement compliance and regulatory updates. We work with our carrier members to identify their expectations. CILBA provides education, knowledge, and tools to our members to help them stay current with industry best practices and technology. We provide a platform for our members to collaborate and share ideas and best practices across Canada in order to better the industry and build unity in the MGA community nationally.

CILBA will confine its comments and input to only those issues and their related questions raised within the consultation paper that have a direct and meaningful impact on our membership of MGAs serving the insurance and related investment industries.

Issue #1, Financial Consumer Protection (p. 8)

Q1 - It is reasonable and important to apply a common, over-riding principle of fair treatment of consumers (FTC) to all financial institutions. Since not all elements of a common code might apply to each institution, we support the development of sector-specific codes that contain the same principles. We believe that the CCIR is in the best position to develop the code for the insurance sector.

Q2 - It is in the best interests of consumers to require credit unions to have complaint handling processes and offer member access to an independent ombudservice.

Q3 – It is in the consumer’s best interest to ensure that there are similar mechanisms for consumer complaint resolution across the financial services. We believe the CCIR OmbudServices Oversight Standing Committee is in the best position to create a harmonized approach across Canada for the insurance sector.

Q4 – FTC speaks to corporate and industry culture. It is in the consumer’s best interest to require fair treatment of consumers by all market participants.

Issue #2, Market Discipline/Public Disclosure of Key Financial Risk Information

Q1/2 – Transparency and disclosure by financial institutions is in the best interests of consumers. In particular, complaints statistics and information on substantiated complaints would benefit the public. Proprietary information should remain proprietary, but there should be clear standards for what constitutes proprietary information.

Q3 – It is in the consumer's best interests to have financial institutions share information with national databases for regulatory purposes and FICOM should most definitely be allowed to share such information. Failure to share information, particularly relating to market conduct of participants, has led to some very unfortunate outcomes over the years.

Issue #3, Financial Literacy

Q1 – We believe that the financial services industry is well positioned to assist and support financial literacy and currently does so. Legislative changes should only be considered if other/existing measures aren't working or helping to ensure FTC outcomes.

Q2/3 – We do not believe that additional measures are required.

Q4 – We believe that BC should enact legislation similar to that put forward by the federal government in order to prevent financial abuse.

Issue #4, Technological Change

Q2 – We believe that consumers may be more vulnerable when they purchase financial products online. We support initiatives to ensure that

- only products that can reasonably be sold without face-to-face involvement are sold online,
- those who support such sales meet important competency criteria and are effectively supervised, and
- disclosure rules and other safeguards are put in place to mitigate the additional risks associated with such sales.

Q3 – Life insurance products (including segregated funds and most annuities) that have cash values, are promoted as investments, or that have complex attributes, are not appropriate for sale online in a non-face-to-face environment. Additionally, health insurance products are complicated and require ample review and discussion. Misunderstandings about all such products can lead to severe and sometimes catastrophic results for consumers when the product purchased fails to deliver the desired benefits. We believe that all such products should be available through licensed intermediaries and do not lend

themselves to online promotion. Insurance products are supposed to mitigate risks, not create new risks.

Q4 –Existing laws and regulations relating to outsourcing and transfer of data appear to be adequate and working. We do not believe it is necessary to limit the transfer of data to third party service providers.

Issue #6, Regulatory Powers and Guidelines

Q2 – We believe that FICOM should have the ability to issue enforceable market conduct rules for all and prudential rules for any institutions that are not subject to federal regulation.

Insurance Sector

Issue #1, Insurance Retailing and Licensing Exemptions

Q1 – CAILBA members believe that exemptions from licensing and education standards are inconsistent with fair treatment of customers and that lack of oversight, education, and regulation don't support the desired FTC outcomes. A restricted agent model may be a suitable alternative, given the nature of this type of insurance product.

Q2 -More direct oversight should be required of insurers.

Q3 – The Insurance Council should be given power to regulate and license incidental sellers of insurance.

Q4/5- All insurance products should be sold only by licensed agents, if even restricted licensees. Insurance products can be complicated and consumers often lack knowledge sufficient to challenge the information they're provided. Given the severe consequences to a consumer when his or her insurance product fails to deliver the desired benefit, it is clear that fair treatment of consumers requires licensing and the oversight of regulators. CAILBA supports the restricted license model used by some other provinces.

Issue #2: Regulation of Insurance Intermediaries

Q1 – We do not believe the issue is whether members are elected or appointed but rather whether they have sufficient understanding of the distribution of insurance products and how intermediaries operate to be fair and effective in how they regulate and how they discipline wrongdoers.

Q2 – We believe that the Council has ample tools and an appropriate structure to fulfill its mandate. However coordination between the supervisory and intermediary authorities could be improved. Fair Treatment of Consumers applies to all market participants throughout the life span of products and the length of the relationship with the consumer. Market conduct discipline must be applied to all such participants in a manner that is and is perceived to be equitable.

Q3 - We believe the current framework is effective.

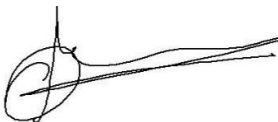
Issue #5: Rebating

Q1/2 – It is our members' view that even nominal rebating does more harm than good to the industry and consumers and should be discontinued. This would harmonize with the approach of all but one other jurisdiction in Canada. Rebating is involved in almost all significant and costly frauds that have been perpetrated on the insurance industry for decades. By making rebating acceptable, regulators have thwarted insurers' and MGAs' efforts to detect and prevent fraud. We are aware of situations currently where customers who reside in Ontario purchase their insurance products through advisors in BC (who are often not licensed in Ontario) in order to demand a rebate. No level of rebating is safe or appropriate. It is tantamount to an inducement to purchase.

Q3 – The current industry requirements to disclose referral arrangements to consumers is adequate and effective, providing an opportunity for those consumers interested to ask for more information or to discuss the arrangements further with their insurance agent.

On behalf of our CAILBA members, we wish to thank you again for the opportunity to comment on these very important issues.

Regards,



Arnold Scheerder CFP
CAILBA Compliance Chair

cc: Allan Bulloch
Chris Nicoll

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Michael Williams