

The Co-operators Group Limited

Submission to the Ministry of Finance, British Columbia

Response to the *Initial Public Consultation Paper*
Financial Institutions Act & Credit Union Incorporation Act Review

September 2015



FIA & CUIA Review
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The Co-operators is pleased to provide comments on the Initial Public Consultation Paper for the Financial Institutions Act and Credit Union Incorporation Act Review with particular focus on the *Overall/Framework Issues* and *Insurance Sector*.

We remain committed to working with the government of British Columbia to achieve common objectives that will benefit consumers.

Our philosophy regarding the delivery of insurance products to the consumers of British Columbia is based on the following fundamental guiding principles:

- **Security:** At its most basic level, insurance provides peace of mind. Consumers should have adequate coverage that ensures an appropriate measure of financial protection.
- **Affordability:** Insurance must be affordable for a compulsory insurance system to work.
- **Availability:** Insurance consumers have the right to expect reasonable access to a variety of providers who can meet their coverage needs.
- **Simplicity:** Insurance consumers have a right to understand the product they are purchasing and the benefits to which they are entitled.

Our 43 members include co-operatives and credit union centrals representing a combined membership of millions of Canadians. As one of Canada's most prominent financial services organizations we are proud to provide insurance and financial services to more than two million Canadians. We are even prouder that we provide financial security to Canadians in their communities while staying true to our co-operative values.

We believe public policy is best served when interested stakeholders work collaboratively to assist in the development of that policy. The Co-operators has always played an active role in working with governments at all levels to offer its perspectives on insurance-related issues, issues pertaining to the co-operative sector, and other important public policy matters. Because we are a co-operative as well as an insurance company we offer a unique- perspective.

OVERALL/FRAMWORK ISSUES

Issue 1: Financial Consumer Protection

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?

We believe the insurance industry could support a market conduct code for fair treatment of consumers. We believe this should be developed through the Canadian Council of Insurance Regulators (CCIR) to ensure uniformity across all provinces and territories. The Co-operators strongly supports a harmonized national model.

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

Regardless of the means of communication chosen, consumers should receive proper advice when needed and that the products chosen by the consumer should suit their needs. Due to the complexity of many types of insurance transactions, a regulatory provision should exist to protect the interests of consumers.

The Co-operators is very consumer focused and has policies and procedures in place to ensure all clients are treated fairly. Our dedicated OmbudsOffice works closely with clients to ensure that all enquiries and questions are answered and disputes are resolved to the satisfaction of both parties.

The Co-operators has also established Service Review Panels in various regions of the country, made up of clients that meet regularly to review unresolved client files. If a *Service Review Panel* believes that a decision regarding a client file should be changed, The Co-operators will follow the recommendation. In addition to this, four *Community Advisory Panels* have been created in various regions to hear from a cross-section of Canadians about the insurance industry and The Co-operators in general.

We provide our clients with access to the independent General Insurance Ombudservice and subscribe to the industry driven “Code of Consumer Rights and Responsibilities”.

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

As noted above, at The Co-operators we have forums in place to deal with client concerns effectively; therefore we do not feel that a mandated mechanism is necessary. We are, however, open to working with whatever framework/forum is put in place. We believe it is important for clients to have a forum independent of insurers to take issues to.

As members of the Canadian Life and Health Insurance Association (CLHIA) we support their position that in life and health insurance, the vast majority of consumer complaints are resolved through the industry's company first approach to complaint handling. The approach includes recourse to the insurer's own ombudsperson. Should a consumer remain dissatisfied with the outcome of their complaint, they can then take their case to the OmbudService for Life & Health Insurance (OLHI). A minority of complaints, which are directly related to the service or actions of an independent agent, fall outside of OLHI's mandate. Regulators can discipline such agents for wrongdoing, but they have no power to award compensation to consumers. One avenue for a consumer in this situation is to seek recourse through the agent's E&O carrier.

Recently, the CCIR OmbudServices Oversight Standing Committee (OOSC) was formed with the mandate to "ensure that third party dispute resolution systems in the insurance sector, including OLHI and GIO, fulfill the public interest objectives of complaint resolution as an important component of a well-functioning consumer protection policy framework." Should BC choose to take action on this issue, we would support CLHIA's recommendation that it should be pursued through this CCIR committee, which is chaired by BC, with the goal of developing a solution that could be implemented in all provinces for all Canadians to access. One question such a group might tackle is: in what ombudservice should agents and brokers participate?

4. Should authorization requirements for financial institutions and licensing requirements for insurance agents and brokers specifically require fair treatment of consumers?

FTC is already embedded into our processes such as Needs Analysis and through market conduct regulations. Adding a level of complexity to licensing requirements would seem to offer little additional value, if any.

As an alternative, perhaps the CCIR could develop a FTC course that is CE accredited and that agents/brokers must take annually.

6. Does BC have the correct framework for use of corporate and business names and logos, and the disclosure of identity for financial institutions?

Any possible changes to the legislation in British Columbia should take into account that many insurance arrangements are often white-labelled/branded multi-party networking/sponsored arrangements, and that any framework and/or rules for use of business names and disclosure of identities for FI's (which includes insurers) take into account that fact and allow for appropriate, balanced disclosure of the identities and roles of such parties (that, is insurer, administrator and sponsor).

For example, if a sponsor wants and needs to have its travel insurance or other program branded so as to closely associate the offering with them for their customers, a regulatory requirement should not impose the insurer's name to be far more prominent than the sponsor's or administrators name in various applicable written disclosure (on application forms, policies, certificates, etc.)

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

1. Should BC financial institutions be required to make additional financial and risk information available publicly, including online? If so, which types of information? What are the benefits and risks or issues associated with more stringent public disclosure requirements?

We would not support the public disclosure of rate and risk selection criteria as much of what is used to rate is proprietary.

Issue 3: Financial Literacy

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?

We support CLHIA's position that the life and health insurance industry plays an active role in contributing to and fostering financial literacy. Examples include CLHIA's "Ready, set, life" campaign for the public, which includes consumer brochures, glossary and information about clear communication, and industry participation in the Financial Consumer Agency of Canada's (FCAC) initiatives in this area. Insurers are also very active in this area through training and support for group plan members.

Advisors have access to their clients during "teachable moments" in their lives (i.e., times when people are more receptive to learning because of a particular life event -- like getting married, having a family, or retiring). Through these interactions, they have the opportunity to pass on

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knowledge and, more importantly, to advise their clients on the products and services that can help to secure their financial future. Advisors understand their duty to explain a specific product or recommendation in a way the customer understands. However, a specific requirement that advisors foster financial literacy would give rise to a number of challenges. In many cases, it could substantially lengthen the sales process and could even result in consumers abandoning the attempt to purchase needed insurance. As well, the challenge of assessing financial literacy makes enforcement difficult.

We do not believe there are legislative issues related to financial literacy.

With respect to additional tools to help fight financial abuse of vulnerable persons, financial institutions must continue their efforts to raise awareness of the issue with their clients and to be alert to the "red flags" that signify that there may be a problem. As one example of a possible other tool to help with these efforts, consideration should be given to the amendment made to federal privacy legislation earlier this year to allow greater disclosure to a government institution or next of kin where there are reasonable grounds to believe that an individual may be the victim of financial abuse.

3. Should legislative changes to bolster financial literacy and/or protect consumers from financial abuse be considered?

We encourage educational resources for consumers by regulators, insurers, brokers/agents, etc as a best practice rather than a regulatory requirement.

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?

We encourage the B.C. government to take a lead or at least work with the industry on consumer education on issues like earthquake as there is a great need for better understanding by the average consumer of this important issue.

Issue 4: Technological Change

1. Are there any barriers or impediments to using new technology in the current legislative and regulatory framework (e.g., for member engagement, provision of products and services, etc.)?

What changes are needed to ensure the regulatory framework continues to enable and accommodate technological change, now and in the future?

As an organization, we believe that electronic commerce in insurance products should be transparent and simple for consumers. We are committed to working with regulators and legislators to ensure that current and future statutes facilitate that rather than hinder it. We applaud the BC government for being leaders in this regard.

We agree with CCIR's consumer protection goals in the electronic commerce context which specifies consumers:

- ✓ have access to additional information/advice;
- ✓ will know they are dealing with a regulated entity;
- ✓ have and understand the necessary information about the products;
- ✓ have the opportunity to review the accuracy of information they provide;
- ✓ are aware of the Terms and Conditions;
- ✓ can rely on the transaction; and
- ✓ personal information is secure.

Both insurers and consumers can equally benefit from the expanded use of the Internet. This can be achieved through best practices and regulation where required. Legislation governing electronic commerce specific to financial products should be in place.

In regards to social media and its potential impact in this area, by its very nature social media is not a transactional medium. Rather, it is a medium that helps build relationships and create communities. It seems unlikely (for the time being) that insurers will try to transact in this space. Those that do will not be successful. Social channels may, however, be used to start conversations, drive prospects to websites, quote engines, or Call Centres. It is through these channels (as discussed above) that valid transactions will be made.

Regulators may wish to consider imposing codes of conduct that prohibit the sharing of potentially confidential information in these public spaces.

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

As we move towards distribution through various multiple channels, we end up with several processes for the point-of-sale disclosures and this can become onerous (sales process becomes lengthy and client is bombarded with information). While the intent is honourable, we would like to see the disclosures completed wherever possible through policy fulfillment in a consistent

manner after the sale (regardless of the channel the client came through). Clients have the 10 day free look and they still have the opportunity to reverse their decision if they choose to do so. This permits the client with an opportunity to review and consider the information properly.

3. Are there certain financial products or services that should not be available for purchase directly by consumers online without using a professional broker or financial advisor at a regulated institution?

Insurers who fail to provide the specific level of detail required to address consumer concerns/knowledge gaps in plain, simple language will be unsuccessful in selling through the online channel. Consumers will turn to a competitor who is willing to provide a more complete explanation of product characteristics, options, coverage levels, etc. online.

4. Are there consumer protection and regulatory issues related to record storage or retention? Should there be limits on what kinds of data can be entrusted to a third party service provider for storage and/or processing?

Consumer protection related to storage and retention is considered adequately addressed within the various levels of statute and regulation, in particular with respect to privacy laws (i.e. no issues). At The Co-operators, we develop policy and practices that consider requirements specified by both provincial and federal mandates, as well as consumer and industry organizations.

Regulatory matters concerning recordkeeping are becoming more descriptive over time. Dedicated sections within both the FIA and CUIA specify minimum types of records to be created and maintained, and are similar in content to federal requirements stated within the ICA, CBCA and Income Tax Acts. FICOM has issued information bulletins and letters to assist insurers with clarification and guidance where deemed necessary. The Co-operators has found all such elements to be very useful when preparing records policy and practice.

Records retention is typically unspecified within regulations and remains one of the most challenging (recordkeeping) aspects for our organization.

We do not believe there should be statutory or regulatory limitations on the kinds of data and information entrusted to a third party service provider. The use of third parties for storage and processing of data is a key competitive and efficiency strategy and should not be restricted provided adequate protection and accessibility of data and information are in place.

The Co-operators makes every effort to ensure third parties protect the integrity, authenticity, security and confidentiality of the data and information entrusted to them, as well as ensure the data and information remains accessible and available to meet client, business and regulatory requirements. Our focus lies on service partner competence and capability through prior due-diligence and risk assessments, and govern the relationship through contractual terms. The location of data and jurisdictions are factored for the purpose of a) ensuring the contracts are highly enforceable and b) ensuring the privacy and access to information laws within the jurisdictions where the data and information is stored are considered acceptable.

The Co-operators observes regulatory guidelines and bulletins (such as: OSFI B-10 Outsourcing of Business Activities, Functions and Processes and FICOM INS-13-002 Storing and Processing Information Outside of Canada), factors professional associations, and employs comprehensive internal Co-operators policy (such as: Information Security, Records Management, Privacy). Safeguards meet or exceed industry best practice and are commensurate with the sensitivity of the data and information stored or processed.

Issue 5: Out of Province Business

2. Are changes needed to BC's approach to insurance regulation? Should certain exemptions be available in respect of individuals and entities (including societies and self-insurers) seeking to purchase insurance outside BC? On what basis should exemptions be provided?

In respect to the Life and Health insurance industry, further exemptions to allow the purchase of insurance from unauthorized insurers (e.g., operating outside of the country) are not required.

In circumstances where a type of insurance protection is sought that is not available from authorized insurers, the Financial Institutions Act (FIA) provides sufficient flexibility to allow such protection to be purchased from unauthorized insurers.

From a BC resident's perspective, it would be an important comfort to know that the life or health insurance protection that has been purchased is from an insurer that is subject to the province's regulatory oversight.

3. Are changes to the current legislative framework needed to address the use of technology by out of province entities providing financial products and services to British Columbians? Do the current definitions of what constitutes "carrying on business in BC" need to be revisited in light of increased e-commerce/online distribution of financial products?

From a policy perspective, it makes sense that if an insurance product is being sold online to a resident of British Columbia, whether the origin of the communication is BC, Canada, or outside the country, then that transaction should be subject to the protections of the FIA and the Insurance Act. It is The Co-operators view that current provisions do indeed cover such communications or transactions.

Issue 6: Regulatory Powers and Guidelines

3. To respond to emerging risks in a timely manner, does FICOM need powers to revise conduct and solvency expectations outside of legislation or regulation? If so, what limits and accountability mechanisms are needed?

We believe the current standards and structure are working well.

INSURANCE SECTOR

Issue 1: Insurance Retailing and Licensing Exemptions

1. Are the current exemptions appropriate? Should any additional exemptions be provided?

Generally, the Co-operators believes the current exemptions are appropriate and effective. However we believe the Credit Unions are disadvantaged relative to the banks with respect to the distribution of travel insurance. All other western provinces have adopted a restricted licensing model for banks, credit unions and travel agents. We believe BC should adopt a model similar to other provinces and allow credit unions to distribute travel insurance in their branches.

2. Should insurers have more responsibility for exempt sellers? Should they be required to provide more direct oversight?

We support CLHIA's position. In BC today, Life and Health insurers are accountable for overseeing the exempt sellers that distribute their products. For example, CLHIA Guideline G7, *Creditor's Group Insurance*, states, "The insurer shall establish reasonable procedures to monitor the activities of those handling enrolments.

Insurers take a risk-based approach to identifying situations where training and monitoring efforts might need to be reinforced, and take action as needed. Examples include training

programs, particularly for front-line personnel who deal directly with consumers and need a good understanding of the products and the limits of their role -- including when to refer a consumer to a supervisor or the insurer, and monitoring activities, such as site visits and mystery shoppers.

In some arrangements, the policyholder or another party may carry out some of the insurance administration functions (e.g., issuing certificates, processing cancellations, processing changes in payments). In these situations, the insurer remains responsible for oversight and may engage in oversight activities (e.g., audits, requirements for policies and procedures in place related to the functions performed, guidance and standards to be followed, and training requirements). Insurers also comply with relevant outsourcing guidelines (e.g., OSFI Guideline B-10, *Outsourcing of Business Activities, Functions and Processes*).

We believe the insurer accountability in place today is more than adequate and don't see a need for this to be increased.

3. Should the FIA be amended to give the Insurance Council increased powers to license and regulate incidental sellers of insurance?

See our response to Q5 below.

4. Should certain insurance products only be sold by licensed agents? If so, which ones?

There should be no requirement that certain types of products only be sold by licensed agents.

Financial advisors have traditionally played an important role in helping customers identify their needs and understand products that are suited to those needs. At the same time, consumer preferences related to how information is obtained and how business is transacted are undergoing fundamental changes.

In addition, technology may be increasingly used by advisors in their work with consumers. At the same time, we recognize that insurers need to consider the complexity of their on-line offerings, their ability to explain products and services to on-line consumers and how to make advice available to on-line consumers.

Rather than restricting the types of products available to consumers in a given channel, we believe the focus should be on good disclosure, regardless of channel, and as per CLHIA Guidelines, so consumers can make informed choices.

5. Should the restricted insurance agent model used by some other provinces, and applicable to travel agencies in BC, be looked at with respect to the sale of other types of incidental insurance such as credit insurance and/or product and vehicle warranties? If so, which types?

In the industry's view, when considering what rules should be in place for the distribution of life and health insurance sold incidentally to another product, the following principles should apply:

- the approach should offer an appropriate level of consumer protection;
- the approach should represent a proportionate response to any issues related to this form of insurance and should not impose undue administrative, compliance or economic costs;
- the approach should offer the BC regulator a clear line of accountability (i.e., is there a sensible contact point if a problem arises or a disciplinary action is necessary?); and,
- the approach should contribute to a healthy, competitive market and to providing choice for consumers.

BC currently achieves these objectives through licensing exemptions where the life and health insurer is fully accountable for its products and shares contractually with the distribution entity the responsibility for distribution. If a problem were to arise (e.g., in the context of the sale of a creditor's life insurance product through an auto dealer), FICOM's recourse is to the life insurer that underwrites the product.

If necessary, BC could consider augmenting the licensing exemptions with disclosure requirements that set out in regulation an obligation for the disclosure of key elements on the part of all exempted distributors. If a problem arose, FICOM would have recourse to the distributor, which would be required, by regulation, to comply with specific disclosure requirements. (CLHIA Guideline G7, *Creditor's Group Insurance*, would prove a useful reference for identifying key disclosure elements.)

An alternate approach, and one which CLHIA has supported in those jurisdictions where the government has proposed it (i.e., Alberta, Saskatchewan and Manitoba), is the restricted corporate licensing approach. This would require that the distribution entity hold a corporate licence, which would be administered by the Insurance Council of BC. That entity would be directly accountable for the training and supervision of the salespersons and for the distribution of the creditor's group insurance product. If a problem arose related to the sales practices surrounding the sale of the product, the regulator's recourse would be to the distribution entity that carried the corporate licence. Of course, the manufacturer would retain accountability for the product itself.

Should BC consider a restricted licensing regime, the industry would recommend harmonizing with the regimes in place in other provinces, that appropriate and good language for a head office exemption be included, and that consideration be given to providing restricted licensees with some form of representation on the Insurance Council.

We believe that the current exemption approach in BC is effective and provides the flexibility to develop, through regulations, uniform exemptions for distributors of incidental insurance, coupled with specific disclosure obligations. If British Columbia were to consider going beyond this, then it should consider a restricted corporate licensing regime.

6. Is the current restricted licensing regime for travel agencies effective and appropriate? Should travel agents, who are already regulated by Consumer Protection BC, be provided with an exemption under the FIA?

We believe that the current model in BC is working. Should the model be altered, we would encourage the B.C. government to approach the other western provinces to adopt the exact wording in their alignment of the restricted travel agent model.

Issue 2: Regulation of Insurance Intermediaries

1. Should some or all members of the Insurance Council of BC be elected?

As noted in the Consultation Paper, other insurance councils include members who are appointed by industry associations, including CLHIA. While these appointees bring their expertise and understanding of industry practices to Insurance Council discussions, they are expected to represent the public interest in any decisions they make.

The advantages of this appointment process are two-fold. First, it increases transparency for all interested parties. Second, it reinforces the industry's commitment to effective regulatory supervision of intermediaries. For these reasons, we support CLHIA's recommendation that a similar process be used in BC to appoint at least some industry members to the Insurance Council

2. Does the Insurance Council have the right regulatory tools and structure for its role? Are any improvements needed to enhance coordination between the supervisory and intermediary regulatory authorities?

The mix of principles-based bulletins and more prescriptive rules that the Insurance Council uses provides an effective balance of flexibility and clarity. CLHIA has indicated that it is not aware of any deficiencies in these regulatory tools or the structure. CLHIA notes that the Insurance Council has a history of consulting with the industry, both formally and informally. These informal consultations, in particular, have been effective at identifying potential issues and proactively working with the industry to change practices.

The issue of coordination between separate supervisory and regulatory authorities is not unique. Wherever such a separation exists, it is important to ensure each authority has strong leadership so there is effective communication between the bodies. There are no obvious structural changes that would enhance coordination.

3. Is the current oversight framework, including appeals to the Financial Services Tribunal, effective? If Insurance Council members are elected, are changes needed to other aspects of the accountability framework?

We are not aware of any problems or issues with the current oversight and appeals framework.

4. Should special brokers in BC be required to obtain licences directly from FICOM?

We believe Brokers and Agents should have similar licensing requirements.

5. Are changes needed to the licensing framework for insurance adjusters?

The current framework is working well.

Issue 4: Long-term Disability Plans

1. Does BC have the right approach to long term disability benefits?

We believe it is in the best interest of plan sponsors and their plan members for long term disability to be an insured benefit, and that BC should follow the lead of other jurisdictions that have changed their legislation accordingly.

2. Should employers and other plan sponsors be required to insure LTD benefit plans? Would this deter employers from providing these benefits?

We believe LTD benefits should be insured with a regulated carrier.

There may be an option for employers to consider “self-insurance” however there should then be a requirement that it be a “registered plan” with regulated reserves held in a segregated manner from their other company assets. In some situations this could deter some employers from providing these benefits because of the added expense associated with the liability and associated reserves, but we believe this would be a rare occurrence.

LTD coverage is an important employee benefit that helps with attraction and retention, and helps mitigate the risks of a disability should one be incurred; and benefit costs can be mitigated through plan design and premium sharing strategies. Certainly, where a plan is placed with a regulated carrier (as opposed to “self-insured”) it will actually help manage costs since much of the inherent volatility of LTD benefits is effectively transferred to a carrier equipped to handle that risk.

3. Are there consumer protection issues related to ASO plans? How can consumer awareness be increased?

Yes, there are consumer protection issues. Most individuals would not understand the difference between an ASO or Insured “Long Term Disability” plan, or anticipate that they might actually utilize the benefit someday. Furthermore, even if they did understand the difference, most consumers might not consider the risk of coverage under an ASO plan material enough to warrant the purchase of additional insured coverage.

It could be helpful from a consumer protection perspective to make “Long Term Disability” a defined term that can only be used where adequate regulatory reserves are being held and a minimum benefit duration is guaranteed. ASO plans would need to refer to themselves as something different.

Issue 5: Rebating

1. Is the current FIA rebating framework effective and appropriate?

Our concern with rebating is that it may create an appearance of affordability that is not sustainable. This creates a risk that a consumer may purchase a policy that they cannot afford in

subsequent years when the rebate is no longer available. If the consumer's insurability has changed during this time, he or she may not be able to replace a policy that lapses because it is no longer affordable. We also see it as an issue for the Advisor who is running a business and needs long term sustainability from a revenue stream perspective.

The Co-operators Position:

The Co-operators takes a “zero tolerance” approach to financial advisors rebating or purchasing policies as gifts.

The regulators that control the Insurance Acts of Alberta and British Columbia have removed the prohibition against premium rebating. Rebating continues to be prohibited in the insurance regulations of all other provinces and territories. It is still the policy of The Co-operators that rebating is not an acceptable practice for our financial advisors and they are specifically prohibited from engaging in this activity.

Rebating can be described as:

“Directly or indirectly making or attempting to make an agreement as to the premium to be paid for a policy other than as set forth in the policy, or paying, allowing or giving, or offering or agreeing to pay, allow or give, a rebate of the whole or part of the premium stipulated by the policy or any other consideration or thing of value.”

The Co-operators believes that rebating is not in the best interests of consumers, financial advisors or the insurance industry. It has the potential to encourage churning of the client base and the improper replacement of older policies by unethical financial advisors who may advise clients to surrender an older policy, buy a new policy and receive a portion of their first year premiums back in cash.

Rebating also creates the potential for negative impact on agency viability if financial advisors are increasingly put in positions where they are under pressure to rebate and are not able to collect the full premium for the risk insured.

Even if the organization supported rebating (which it does not), we are not prepared to put in place the administrative procedures necessary to manage rebates and make this transparent to the client both at the time of a new sale and at renewal. Such back room work is costly and unmanageable for most product departments.

In addition to the above consideration rebating can also affect the trust and reputation of the insurance industry as a whole. In a rebating environment, rather than consumers asking “Which policy is right for me?” their decision may be based on the amount of premium rebate they will get.

For the reasons mentioned above, The Co-operators does not condone and will not permit its financial advisors to engage in the practice of rebating - regardless of the insurance regulations in Alberta and British Columbia. The Co-operators also prohibits the purchase or subsidization of policies as a gift or incentive. This would include any situation where an agency paid for all or part of an insurance premium or made a contribution to an investment product on behalf of a client. This practice is inappropriate, regardless of whether it provides an incentive for the client to buy the product or is offered as a gift or recognition for their business.

The policy will be enforced as follows:

- Agencies found to be non-compliant with these issues will be terminated immediately with cause and will be reported to the appropriate regulator, where necessary. No exceptions will be made and no transition commission will be payable.
- The contracted financial advisor will be held accountable for all such business, whether written by the financial advisor personally or written by an associate. This policy is clearly outlined in the Code of Conduct for all financial advisors and agency staff members.

The rebating regulations apply equally to insurers as they do to financial advisors. However an insurance company does have more room than a financial advisor would.

2. Is the threshold of 25 percent of the premium appropriate? Would a different level be more appropriate, and if so, what level?

As noted above, The Co-operators does not support rebating.

3. Are the current disclosure rules on referral payments adequate to protect consumers? Should agents also be required to disclose the amount of any referral payment?

When an agent pays a referral fee or finder fee for lead generation services, this is unlikely to harm the consumer and, accordingly, should not require disclosure.

Where an agent receives a fee for referring a client to another person, the agent should be required to disclose the fact that he or she is referring a fee. There should be no additional requirement to disclose the amount of the fee.



Contact Information

Thank you for the opportunity to provide feedback on the government's initial public consultation paper for the review of the Financial Institutions Act (FIA) and the related Credit Union Incorporation Act (CUIA).

For any further information or clarification please contact:

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