



October 14, 2009

Mr. Dennis Gartner,  
Superintendent of Insurance  
Alberta Finance and Enterprise  
Room 402, 9515-107th Street  
Edmonton, AB T5K 2C3

Dear Mr. Gartner,

The Canadian Association of Financial Institutions in Insurance (CAFII) is pleased to respond to the consultation on proposed regulations to the amended Insurance Act. CAFII represents companies in all the major lines of insurance business. CAFII members use an array of distribution methods such as call centers, agents and brokers, travel agents, direct mail, the Internet, and branches of deposit-taking institutions. Our diversity enables us to take a broad view of the regulatory regimes governing the insurance marketplace.

CAFII has appreciated Alberta's open consultative process in reviewing the Act and regulations. Outlined below are our comments on certain regulatory proposals pertaining to insurance companies generally and life insurance companies in particular.

#### **1. Disclosure of Limitation periods**

##### Policyholder

We note that the proposal wording refers to disclosure to policyholders. In group insurance, the insured are holders of certificates under the master policy of insurance. If it is the intention of this section not to apply to holders of certificates under group insurance then this wording would be acceptable, however, if the disclosures are required to group insured, then holders of certificates of group insurance should be specified in the regulation.

##### Notification of Expiry

CAFII proposes that notification of limitation period is unnecessary as it is explicitly noted in contract documentation. Any notification should be limited to situations where a claim is denied. Notification at the time of claim would be redundant as the claim is in progress. Notification at time of denial is acceptable as this would be part of normal communication with the claimant. The third

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proposed notification in the 60 -120 window before the limitation period expires is particularly problematic and an undue burden on insurers as it poses a large administrative challenge to track limitation periods on every open claim file and could be prone to error. If the party has been notified on contract documentation and at the denial stage, we believe full and fair disclosure will have been achieved.

## **2. Transitional provisions**

CAFII proposes that, at a minimum, these provisions should not come into force for at least two years following the proclamation of Bill 11 and the final publication of the regulations, as there are significant operational and system issues with regards to the successful implementation of these changes. Due to the need for clarification of product scope which will not be finalized until the regulations are complete, members have not been able to make significant progress on plans to implement changes required by the Act. The proposed changes to insurance documents are complex and a labour intensive task on the part of the industry. In addition, due to legal and operational constraints, we propose that changes should be applicable to new coverages only and not applicable to certificates in force or claims in progress.

## **3. Electronic Documents**

CAFII strongly agrees with the discussion paper in noting that the insurance marketplace has evolved and that it is necessary and beneficial to ensure that modern business processes and technology can be used for transactions between consumers and insurers. This benefits consumers by providing them with the option to communicate and transact electronically, using customer authentication and security features to ensure that their identity and information are confidential, confirmed and secure.

We have concerns that the proposal to require written notification in 3 places (i.e. cancellation of an insurance policy, designation of beneficiary, and change of beneficiary) is detrimental to the policy objective put forward to facilitate electronic commerce.

We recommend that cancellation of an insurance policy refer to cancellation by the insurer. For cancellation by the customer, we recommend that companies should be allowed to determine the best method of how to communicate with their clients for their service model. If the customer has chosen to enter into the contract electronically, companies would like to be able to accept a cancellation electronically as a customer service rather than forcing a consumer to cancel in writing. Confirmation of receipt of a customer cancellation could be confirmed by the company through secure electronic channels or through traditional mail.

CAFII recommends that designation of beneficiary be permitted electronically (i.e. email, telephone), as a customer service if the consumer has chosen to transact in that channel. Many consumers now are more comfortable with electronic communication than with paper mail. For customers initiating a transaction electronically, requiring written beneficiary notification would result in contracts without beneficiaries designated. If the beneficiary designation must be in writing, our members have found that customers have often failed to complete the necessary documents and return them by mail. When a customer phones in with a question on his policy and the insurer sees that the beneficiary designation is still required, we can ask over the phone and file that information. We suggest that this is also more secure than traditional written signatures sent by mail, as we validate that the person calling is the owner of the coverage, in the same way as we would with a new coverage. For the same reason, CAFII recommends that it would be beneficial to customers to be able to perform the change of beneficiary transaction through secure electronic channels.

In order to fulfill the policy objectives noted at the beginning of this section and to be consistent with the Alberta Electronic Transactions Act, customers should have the option of using secure electronic delivery channels or traditional means. The choice should be made by the consumer and not restricted by legislation.

#### **4. Disclosure of Compensation and Potential Conflict of Interest Related to Group Insurance Products**

##### Creditor's Group Insurers

The consultation document refers to disclosure requirements for "an insurer of a group insurance policy". As the Act defines group insurance separately from creditor's group insurance, it would provide clarity to know if the disclosure requirements will apply also to an insurer of creditor's group insurance.

##### Disclosure by Policyholder

In the case of creditor's group insurance, communication with the customer is typically handled by the policyholder rather than the insurer. We recommend that the regulation specify that the disclosure may be made by the policyholder.

##### "In writing" Requirements

In order to accommodate increasing consumer preferences to utilize direct channels/call centers, we recommend that there not be a requirement for notification to be specifically "in writing".

##### Amount of compensation should not be disclosed

CAFII strongly advocates that disclosure of compensation should be limited to fact and not amount of compensation. The regulator's concern regarding conflict of interest is adequately addressed by what is mandated through the existing Alberta Regulation 122/2001 (4). Where a holder of a restricted certificate receives any compensation, inducement or benefit from an insurer, directly or

indirectly, for selling insurance, the holder of a restricted certificate must disclose that fact to any person who is considering buying insurance from that holder.

**5. Administration of Group and Creditor's Group Life and Accident Sickness Insurance**

CAFII is very concerned about the scope of the proposed legislation. In the case of creditor's group insurance, the person insured is also a customer of the policyholder. If the insurer decides to decline a claim, the policyholder should have the latitude to make payment to the customer for its own reasons, which may be related to concerns beyond the scope of the contract. In any case, it is in the customer's interest for the policyholder to have the flexibility to make payment on the claim.

It is important that any proposed changes do not unduly restrict flexibility in business models which benefit consumer service and experience. CAFII is not aware of any history of complaints which would justify a prohibition of existing claims administration arrangements. We would welcome further discussion on the government's concerns in this area in order to provide assistance in resolving these questions.

**6. Cooling Off Period**

CAFII is in agreement with a rescission right. We would like to point out that this customer benefit is typically outlined in the marketing material rather than in the contract provisions. There are industry guidelines in place that establish rescission rights for appropriate products. Rather than propose a regulation to establish such rights, we recommend that insurers follow industry guidelines on this matter.

**7. Confidential Information in Group Life and Accident & Sickness Contracts**

For competitive reasons, CAFII members would like to ensure that certificate holders would not have access to the master policy contract terms, particularly the fee structure between the insurer and the policyholder.

CAFII appreciates the opportunity to provide input to the proposed regulations. We would be pleased to discuss these points with you.

Yours truly,

Dave Minor  
Chair, Canadian Association of Financial Institutions in Insurance