



**Sent by electronic mail**

January 30, 2008

Mr. G. Matier  
Executive Director  
Insurance Council of British Columbia  
1040 West Georgia Street, Suite 300  
P.O. Box 7  
Vancouver, B.C. V6E 4H1

Dear Mr. Matier:

**Subject: Proposed Changes to Continuing Education for Life Insurance Agents**

Independent Financial Brokers (IFB) appreciates the opportunity to respond to Council's request for comment on the changes it is proposing to the continuing education (CE) program for life insurance agents in B.C. Our response sets out some general observations, followed by more specific comments related to each of Council's recommendations.

Introductory Remarks

At the outset, we would like to state that IFB fully supports Council in its desire to ensure that insurance licensees have available to them meaningful education at a reasonable cost.

IFB shares this desire, as attested to by our being a major provider of both quality and accessible CE through our Educational Summits. We offer multiple sessions at various locations and times in Canada, at a cost which is well within the financial reach of most advisors. In our view, ongoing education builds professional competence and is a fundamental component of consumer protection. A well-informed agent or broker is unquestionably better positioned to provide more meaningful advice and guidance to clients. Furthermore, this advice must reflect the ongoing reality of today's vibrant financial marketplace.

It is a challenge for financial intermediaries to ensure they remain up to date with the latest information. This is a constantly evolving industry, with new and more complex products being developed and coming to market on a regular basis. It is essential, therefore, that those who recommend these products to the public fully understand their value within a portfolio and the risks associated with such investments. For these reasons, we find Council's suggestion to narrow the field of qualifying courses troubling.

Another challenge for the industry is to ensure that new entrants are attracted to these careers and that there are not unreasonable barriers to entry. In our view, it is the role of regulation to ensure that adequate provisions exist to ensure the public is protected and confident in the services provided by those in this industry, while encouraging vigorous competition. As a defender of those who choose to provide such services on an independent basis (i.e. are not bound by contract to a particular provider), IFB believes that vigorous competition is in itself a valuable source of consumer protection and Council should not be inadvertently interfering with market forces.

Council has proposed setting the educational bar higher for new entrants than for 'experienced' brokers and potentially eliminating it altogether for those who hold specific insurance designations. While we provide further explanation in the relevant sections that follow, it is our view this approach will not meet the needs of advisors or consumers. First, we do not share Council's view that experienced brokers have less of an educational need than new entrants. We understand that new entrants may require CE that is more technical in nature, while experienced brokers may require CE that has a smaller technical component but a greater need for information that addresses issues more complementary in nature. We believe that all licensees should have the same annual CE requirement of 15 hours. However, if Council wanted to propose a change, we think a better alternative is a framework where all licensees have the same annual CE requirement but where flexibility on the types of courses which would qualify is built in after the 5 year period. In our view, experience is not a sole replacement for education. The purpose of continuing education is to ensure that an appropriate level of knowledge is maintained throughout the licensee's career so that a high professional standard is maintained, leading to greater consumer protection. We think our proposal will be more effective in meeting these needs. As an added benefit, it helps to standardize and harmonize the educational requirements for advisors licensed in multiple provincial jurisdictions.

In fact, the introduction of a system with different CE requirements may well place life insurance licensees in B.C. at a competitive disadvantage. We note that many initiatives are underway within Canada and globally all aimed at harmonizing regulatory rules for market participants. For example, the Canadian Securities Administrators is looking at such possibilities through its Registration Reform Project, there is the Passport System, and the Canadian Council of Insurance Regulators (CCIR) has shown support for this through the introduction of the Reciprocal Licensing system and most recently in its *2008-2011 Strategic Plan*. It is unclear to us, then, why Council is proposing implementing a CE program that shares little in common with other jurisdictions and seems to run counter to the stated objectives of the CCIR.

Furthermore, many insurance licensees do not belong to a professional association. This means they do not receive the benefit of targeted updates related to issues of interest which, if they are not individually proactive in seeking out this information, will leave them in a more isolated position when trying to understand the potential impacts on their own practice. The CE requirement has helped to combat this in the past. However, if it moves to 5 or 10 credits per year, the incentive to attend such courses will be reduced.

We are deeply troubled by Council's suggestion that the CE requirements may be waived for those who must take CE as part of another designation. In our view, this is an abrogation of Council's responsibility by empowering associations, who represent the interests of a select group, to set the educational standards for life insurance licensees in B.C. The purpose of setting provincial licensing requirements, of which CE is one, is so Council fulfills its responsibility to the public by certifying only those individuals who meet prescribed standards, thereby ensuring a consistent standard is set for all participants. While we have no doubt that there is much quality CE offered by such associations, the responsibility to define the program, including the hours and types of courses that will qualify, ultimately rests with Council. We have no issue with Council recognizing these other courses for CE where they qualify. However, we do not agree that there should be an automatic waiver. In the end, Council should operate independently from sectoral interests and be the impartial arbitrator of insurance requirements in B.C.

As a general observation, we note that these proposals focus on the technical aspects of the CE program but do not deal with acceptable standards related to the quality of course content or methods of delivery. We believe that the consultation process currently underway presents an excellent opportunity for Council to review such standards. Advisors have available to them a number of sources and delivery methods for CE some of which are, in our opinion, of questionable quality. We would like to see guidelines which specifically address acceptable educational standards. IFB would be pleased to provide input to this process.

This concludes our general remarks. Below is our commentary on the individual recommendations proposed by Council.

*Recommendation #1 – Continuing Education Credits*

*“Life C/E credits will be defined narrowly, using a “modified” LLQP design document. Only those measurable objectives covered by the design document that directly relate to insurance will qualify for C/E credit.”*

We do not think that products should be viewed in isolation when designing a financial plan and find *Recommendation 1* troubling in this context.

As a major provider of continuing education events through our Educational Summits, we have always strived to provide our attendees with variety and balance in the sessions offered to them. We believe that it is ultimately their clients who benefit from this

approach, by receiving better advice from insurance brokers who are not only technically competent, but who have a wider perspective on the issues related to managing a successful practice in the financial services field - not confined only to the insurance field.

In some cases this knowledge may lead to a better understanding of the 'softer' issues, such as understanding the needs of the elderly, or it may relate to 'associated' issues, such as understanding changes happening on other financial fronts. It concerns us, therefore, that Council is taking a much narrower view of what a broker needs to know to provide optimum client service.

In advance of this response, we surveyed our B.C. members so that we could more accurately portray their views on the proposed changes. When asked if they supported the recommendation to limit CE credits to courses directly related to insurance only, there was overwhelming disagreement, for the very reasons identified above – today's reality is that most do not provide only insurance products and advice. Even if their practice is restricted to insurance only, they still must draw upon a variety of resources and sources of knowledge to ensure they provide clients with sound advice and suitable products.

Survey respondents stressed the increasingly global nature of their work. For example, when asked the types of courses they would like to see offered in CE programs, they included those related to:

- Global economic issues
- Economic and fiscal trends
- International business practices

Many stressed the increasingly complex and diversified nature of their clients' financial situations. For example, the 'typical' client is more likely to be one with international family and business interests or extended family members to provide for. Understanding and effectively communicating with aging clients, understanding government assistance programs, tax, and estate issues were all suggested as fundamental requirements for today's insurance licensee.

Many mentioned the need for specific courses to help them manage their practices more effectively. For example, computer courses aimed at promoting efficiencies, business transition and succession issues, legislative updates (not confined to those affecting insurance only), general practice management and ethics courses were suggested.

We understand that it is Council's intent to issue guidelines on the education program, including more information on qualifying courses. In developing those guidelines, we urge Council to consider the merits to the public of an educational program which recognizes the borderless nature of today's financial industry and the need for a broad base of knowledge in conjunction with technical prowess. IFB would be pleased to provide input to this process.

Many insurance licensees are also licensed in other fields, most notably mutual funds and securities, or have a financial planning designation. While insurance licensees and securities registrants have CE requirements, mutual fund registrants do not. This appears to us to be an anomaly which may not be in the best interests of consumers. While we recognize that mutual fund regulation is not under the purvey of Council, the situation has at least been partially addressed for the public, by Council permitting CE credits related to mutual funds to qualify. It concerns us, then, that if these courses no longer qualify that, ultimately, it is consumers who will be put at risk. Such a situation will reflect negatively on the entire financial services industry if advisors are not sufficiently knowledgeable.

We recommend Council exercise caution when considering narrowing the types of courses which will qualify for CE in light of the many challenges today's financial advisor faces.

*Recommendation #2- Annual Minimum Number of CE Credits*

*"The minimum annual CE requirement will be reduced to 15 credits per year."*

We support Council's proposal to reduce the minimum number of annual credits to 15 per year, from the current requirement of 30 per year. This will promote a harmonized standard across a number of provinces which already have a similar requirement and reduce the burden on licensees. However, we do not support different requirements for licensees based on years licensed for reasons already noted and further outlined in our comments related to *Recommendation #3* which follows below.

We note Council's comment that certain life agents who specialize in specific areas of insurance find it difficult to find quality CE relevant to their field. Although respondents to our survey did not indicate such difficulty, if there are specialized areas in need of such attention, we would be very interested to learn more so that we can ensure our Educational Summits address any gaps. We took similar action in the past when we understood some gaps existed relative to group insurance. We were able to respond to this need by including more group-related sessions in our Summit program.

*Recommendation #3 – Introduction of a Graduated Program*

*"A graduated Life CE program will be introduced which will require that a new life agent (a new life agent is one with five years or less licensed experience or someone who has been out of the industry for more than three years), obtain a minimum of 15 CE credits per annum."*

IFB does not support the introduction of a graduated CE program.

In addition to the challenges faced by existing brokers, the financial services industry currently faces a severe shortage of new entrants to the industry. With the average age of life insurance brokers currently hovering around 55+ years, it is vital that the regulators, companies, and all other market participants work together to ensure that new licensees are attracted to these careers, and that there is no appearance of unreasonable barriers to

entry. To attract new people, life insurance companies have taken steps, such as implementing new agent ‘boot camps’, to help fill the growing service gap created as an aging population of brokers wind down their practices. Managing general agencies, or MGAs, have been similarly pro-active by supporting mentoring programs that pair senior brokers with a newly licensed agent, and by supporting the training programs that are springing up in community colleges across the country. IFB has stepped in with sessions at all of our Summits on issues related to succession planning – and the strong level of interest in such courses attests to the seriousness of the problem.

New entrants are already subject to a more stringent entrance standard than their more experienced peers, as the introduction of the LLQP has ‘raised the bar’ for new agent training.

In light of this, it is troubling that Council has proposed lowering educational requirements for veterans of the industry relative to new agents – a move that could be perceived as unequal and, by extension, a barrier for new agents, while favouring incumbents. A report issued late last year by Canada’s Competition Bureau<sup>1</sup> indicates that regulations can impede competition and consumer choice by raising barriers such as those related to qualifications, restricting mobility and placing limits on pricing and compensation, to name a few. It is incumbent on regulators, the Competition Bureau’s report says, to ensure that any new regulations are efficient and achieve the goal of consumer protection while not unduly inhibiting competition. In this instance, we suggest that focusing on higher educational requirements for less experienced agents rather than the importance of ongoing education for all may contribute to the notion that new entrants to the insurance industry are not being encouraged in B.C.

We are also concerned that the considerable reduction in mandatory CE for ‘experienced’ licensees will lead to a decline in these agents’ and brokers’ general knowledge, which seems to be contrary to what they need to grow professionally within an industry which is characterized by change and the development of complex new products. The following quote sums up the view of a number of our members in this regard:

*“The Council is going in the wrong direction by narrowing educational categories. The needs of the client are broad. The advisor must be knowledgeable in many areas. Professional liability becomes an issue if the advisor is ignorant of some services, products, or needs, and puts the client at risk because of that ignorance.”*

We propose that all licensees be required to attain 15 credits annually, however, ‘experienced’ licensees could be allowed to attain credit for courses which are not exclusively related to life insurance. Under this proposal, the 10 credits, as suggested by Council, would be supplemented with an additional 5 credits which could include courses designed to build a more general level of knowledge relevant to the financial services industry. This approach would support the importance of continuous learning as part of maintaining a high standard of professionalism and does not isolate tenure in the field as the defining characteristic.

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<sup>1</sup> Competition Bureau. *Self-regulated professions. Balancing competition and regulation*, December 2007

An added advantage is that under this approach, B.C.'s requirements would be more consistent with the CE required in various other provincial/territorial jurisdictions. Such consistency is a stated objective of the Canadian Council of Insurance Regulators, reduces inter-provincial/territorial barriers and is welcomed by those who are licensed in multiple jurisdictions, as uneven licensing requirements restricts their ability to serve clients.

Recommendation #4 – Maximum CE Credits Permitted Per Day

*“The maximum CE credits that can be earned in a day will be increased to seven.”*

IFB has no objection to this recommendation. Our members support this change and it will make it easier for those who have to travel to attend courses.

Recommendation #5 – Miscellaneous

*“The maximum CE credits that can be earned for any one course is 15 hours (which matches the proposed annual CE requirement), so long as it is based on successful completion of the course (i.e. there is an exam).”*

IFB generally supports this recommendation. However, we note that Council is intending to end the practice for advisors to earn partial credits for courses not passed. We think that there may be circumstances where a more flexible approach has merit. Given that the purpose of CE is to promote continuous learning and further professional standards, policies should not constitute a disincentive to advisors who seek to engage in higher learning.

As an alternative, Council may wish to allow partial credits based on a strict set of guidelines where the educational merits of the course are adjudicated based on its length, difficulty and application. For example, unsuccessful completion of a 2 hour on-line course has a much different implication than unsuccessful completion of a 6 month intensive study course. This approach would not penalize individuals who voluntarily seek to improve their financial expertise by earning a professional designation, for example, but who are unsuccessful. IFB would be pleased to work with Council in this regard.

*“Because of the changes set out above, the Life CE Program will no longer permit the carryover of credits from one license period to the next.”*

Our members strongly disagreed with the proposal to remove the carryover option. Alternatively, Council could impose reasonable limits on the number of CE credits that can be carried over and restrictions on the licensing period the carryover would apply to. This would also provide consistency with some other provincial insurance regulators.

In conclusion, IFB appreciates the opportunity to participate in this consultation and would like the opportunity to discuss any of the above points in further detail, at your convenience.

We look forward to continuing an open dialogue as you develop further information on a revised CE program and receiving additional information as it becomes available.

Yours truly,

A handwritten signature in black ink, appearing to read 'John Whaley', with a large, stylized initial 'J'.

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