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Jim Scalena, Superintendent
Financial Institutions Regulation Branch
1115-405 Broadway
Winnipeg MB R3C 3L6

Sent by Email: Jim.Scalena@gov.mb.ca

Dear Jim:

I am writing to you, on behalf of our Manitoba members, to express our concern with the recent announcement made by the Manitoba Insurance Council that new errors and omissions requirements for insurance agents are planned, which we understand may soon be approved by the Manitoba legislature.

Our concern with the change in E&O coverage is two-fold. First, these new requirements will significantly increase the cost for brokers to acquire this insurance. IFB is a major sponsor of individual and corporate E&O insurance and already our Manitoba members pay more, under the existing rules for their coverage, relative to the premium rates we can offer our members in other jurisdictions. Brokers in Manitoba pay these higher rates because of the increased risk to insure them for the existing requirements, which generally go beyond what is required in most other provinces. To illustrate, our premium for \$1 million in coverage in Manitoba is \$870 compared to \$674 in B.C. (which does not require fraud coverage) and \$713 in Ontario/Saskatchewan/Newfoundland & Labrador which have mandatory fraud coverage of \$1 million per occurrence.

We further understand from the Insurance Council that the coverage for fraud is to the full extent of the policy limits and are concerned that E&O insurers will not write more than \$1 million in coverage for this reason. If you intend to mandate coverage for fraud, we would recommend that Manitoba adopt similar fraud provisions as exist in Ontario, Saskatchewan and Newfoundland/Labrador, where the fraud cover is limited to \$1 million per occurrence, to ensure coverage remains accessible and premiums affordable. Alternatively, you may wish to consider

reducing some of the current requirements, such as the 5 year tail coverage for retired brokers, to offset the increase in premium that the proposed changes will trigger.

While we support regulators in their mandate to ensure adequate consumer protection, we have not seen an increase in E&O claims and would be interested to understand the rationale behind this decision. This rate hike will also come at a time when many of these small business owners are trying to recover from a downturn in the economy, which made it more difficult for them to encourage consumers to set aside funds to purchase life/health insurance policies or invest in financial products. In addition, some insurance companies have increased their production rates in an effort to streamline their operations. The effect of these additional financial pressures may be that some of these advisors will be forced out of the market, leaving their clients without the professional, individualized advice they need to plan effectively for their future.

My second concern is that I only learned of this change through a recent telephone call from Ms. Pearson, Executive Director of the Manitoba Insurance Council. Despite a history of effective industry consultation within the life insurance industry, there appears to have been no attempt to contact stakeholders, like IFB, during the initial stages of discussion, when this change was first contemplated. I believe that had this happened, we could have prepared you and the Insurance Council with the appropriate premium information and an assessment of the potential impact these proposals may have on life insurance brokers in Manitoba. Instead, what we – and others who offer E&O programs - will shortly be faced with, will be discussing with our E&O insurer the new premium cost to cover the higher level of risk.

It is our hope that you will take our comments into consideration and postpone the approval of the higher limits until the industry has had a chance to respond as to its impact. If E&O becomes too expensive it will create a barrier for independent brokers and insurance agencies to enter and/or remain in this market, leaving Manitobans at risk of having less access to independent advice and the financial planning resources needed to secure their future - and the future of their families - than residents of other provinces.

Thank you for the opportunity to express my concerns on this matter. I trust they will be helpful to you and I would be pleased to discuss them in further detail at any time.

Yours truly,



John Whaley
Executive Director
Email: jaw@ifbc.ca

Cc: Erin Pearson, Executive Director, Manitoba Insurance Council