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B.C. Ministry of Finance  
Financial Institutions Commission  
Financial and Corporate Sector Policy Branch

Submitted by email: [fiareview@gov.bc.ca](mailto:fiareview@gov.bc.ca)

**Subject: Consultation Regarding Restricting Insurance Licenses**

Independent Financial Brokers of Canada (IFB) appreciates the opportunity to comment on the Ministry of Finance's proposal to introduce a restricted licensing regime applicable to the selling of incidental insurance (ISI) products in British Columbia.

The Ministry is consulting on a wide range of potential ISI products that could be included under this regulation. IFB's comments, however, will be focused on the restricted licensing regime as it relates to the sale of life and health insurance products.

In our view, anyone selling such insurance products to the public should be properly licensed, trained, and subject to regulatory oversight. It has been, and continues to be, IFB's position that individual licensing of those selling insurance to retail consumers is preferred. While a restricted licence, whereby the corporate entity, and not the individuals selling on behalf of the entity, is licensed, individual licensing provides the public with a higher standard of accountability.

*About IFB*

IFB is a national, not for profit association with approximately 3,000 members. IFB members are licensed financial advisors and planners who operate small to medium-sized financial practices in their local community. The majority of IFB members are life/health insurance licensees and/or mutual fund registrants. Many have acquired other financial licenses or accreditations to be able to serve the broader financial needs of their clients. These can include financial planning, estate/tax planning, securities, mortgages, and deposit instruments.

IFB provides members with professional support and business tools including a comprehensive individual and corporate errors and omissions program, accredited educational opportunities, an exclusive business continuity and succession program, and compliance updates. IFB members must agree to adhere to the associations' [Code of Ethics and Standards of Professional Conduct](#) as a condition of membership.

An important part of the work IFB does is its advocacy for members, and independent advisors and planners more generally, to ensure access to independent advice remains a viable choice for consumers.

*Consultation questions and comments*

IFB generally concurs with the Ministry's statement that the purpose of a restricted licensing regime is to facilitate public access to insurance products while ensuring appropriate oversight of their sale. We

also agree that harmonizing the same or similar classes of restricted licenses with other provinces which have, or are considering, a restricted licence will benefit the insurance sector. Many financial institutions operate on a national level and having the same or similar regulations will enable them to efficiently leverage their existing procedures, training, and oversight mechanisms. However, the same may not be true for consumers seeking life and health insurance coverage.

Incidental life and health insurance products have become very widely distributed, and as such can represent a risk to consumers if they are improperly sold. Consumers purchase the insurance in conjunction with another transaction (e.g., mortgage, credit card, loans) and often is a secondary purchase, subject to only cursory review by the consumer or seller. Creditor life and health insurance is often sold on the basis of a short set of medical or health related questions and subject to post-claim underwriting, which can lead to a false sense of protection. Consumers may not understand the coverage they are purchasing, its restrictions, or if it is the best choice to protect themselves in the event of death, disability, or a critical illness.

Many consumers have limited knowledge of life and health insurance and rely on the seller to explain the coverage, cost, and any restrictions. The seller may be knowledgeable about the initial transaction (e.g., a mortgage or purchase of a vehicle), but is likely to be less familiar with how insurance products are designed, and coverage in the event of a claim.

Indeed, this was borne out by the findings of the [Domestic Bank Retail Sales Practices Review](#), published by the Financial Consumer Agency of Canada (FCAC) in 2018, which identified 5 key consumer risks associated with creditor insurance sold at banks. One of these concerned the level of knowledge of staff selling creditor insurance:

*There is a risk that consumers and front-line staff may not adequately understand creditor insurance, the exclusions to the coverage or the claims adjudication process. Bank employees may not provide certain details because of an inadequate understanding of the product, in the interest of closing a sale or in response to time constraints.*

In 2022, the FCAC published the results from a mystery shopping exercise, which it conducted as a follow up to its 2018 report. The results prompted [further recommendations](#) which, among others, again pointed to concerns with the level of employee knowledge and the influence of sales pressure:

*Mystery shopping reports revealed sales experiences that raise concerns for FCAC. These concerning sales experiences include encounters where an inappropriate product recommendation was made, information was not provided in a clear and simple manner, or the information was considered misleading. Shops where pressure was exerted or where the employee did not seem knowledgeable or well-trained also fall into this category.*

While these observations apply to the 6 major banks, and their employees, it can be surmised that similar results could be expected from the many entities which conduct sales of life/health creditor insurance in other industries, on a smaller scale, or which have less robust ability to oversee sales practices and controls.



IFB agrees that individual provincial restricted licensing regimes help to address these gaps, but they are not a substitute for sellers having an individual life licence. One of the values for consumers who deal with an individual with a full life or A&S insurance licence is that the consumer can be assured that they are receiving advice from those who have met a standardized, national, entry level requirement, i.e., successful completion of the LLQP, and are required to maintain ongoing licensing requirements, such as continuing education, specifically focused on life and health insurance products. In addition, consumers who deal with a licensed insurance agent can expect the agent to provide ongoing service, whereas the consumer is less likely to have access to the original seller in the case of creditor insurance.

As the Ministry considers how best to structure the restricted insurance licensing regime, we believe the basis on which to consider which products should be included is whether the proposed structure will put consumers in a position to be able to make an informed decision about the suitability of the purchase, at the time of the sale.

Financial regulators, industry and consumer advocates have devoted their attention over the past decade to improving how financial products are presented and sold to consumers. This has resulted in improvements in transparency, disclosure (including plain language requirements), suitability and KYC assessments, and in the recommendation process. Underpinning these changes has been a heightened focus on ethical principles and promoting fair outcomes for consumers for licensed advisors and planners.

#### *Specific consultation questions*

As noted at the outset, IFB's interest in the restricted insurance agent licensing regime is limited to creditor life/health insurance, including critical illness products. Therefore, our comments address only the questions we view as most relevant to these products.

#### What disclosure and documentation should be required when a restricted insurance agent (RIA) sells an insurance product?

IFB recommends the disclosure requirements should align with those required of licensed life insurance agents. Consumers of any insurance product should be entitled to a minimum standard of disclosure, including about any limitations or restrictions and who the insurance is suitable for. Consumers should also understand that in the event of a claim, unlike standard life/health insurance, proceeds paid from creditor insurance go to the creditor, in repayment of the debt.

The life insurance industry collaboratively developed disclosure guidelines to assist licensed life/health insurance advisors with meeting provincial requirements. These templates may be helpful to the Ministry in developing disclosure and documentation expectations for RIAs.

Another resource is the CLHIA's Guideline 7, *Creditor's Insurance*, which provides guidance to insurers regarding expectations on responsibilities, policies, and procedures. Section 9 provides a detailed description of the disclosures to consumers. It should be noted, however, that CLHIA Guidelines only apply to CLHIA member companies.



Should the restricted insurance agent be prevented from selling a policy where the eligibility of the insured is not certain?

Where there is uncertainty, the RIA should have access to a process to get assistance from the insurer or creditor at any time. Since most creditor life/health insurance is sold on a post-claim underwriting basis understanding the consumer's eligibility is key. However, in practice, it may not be possible to evaluate the consumer's eligibility as it is often sold without supporting medical evidence and a claim may be denied years later due to the post-claim underwriting.

New Brunswick consulted on the requirement to have an on-site licensed supervisor in its restricted insurance licence regime. This would be helpful to support sellers and assist in answering questions raised in the process of recommending or purchasing the product. However, if there are delays in accessing this information, it could lead to mis-selling or mistakes if the insurance transaction cannot be completed in a timely manner or is time-sensitive.

Should there be restrictions on how an RIA holds out or how they represent the services they offer?

IFB suggests the Saskatchewan approach, which has two categories of restricted insurance licenses - general restricted insurance agent and life/health restricted insurance agent. This distinction may help consumers better understand the services they can expect from the RIA.

It is our understanding that some province's Insurance Councils have identified 'scope creepage' as an issue under their regulations, in that restricted entities are selling insurance in a category they have not been licensed for. This is an issue the Ministry may want to pursue with these Councils.

Should RIA licensees be limited in the commissions or fees they may charge?

It is our understanding that the commission structure is set by the creditor's financial institution. Similar to other insurance disclosures, there should be disclosure to consumers that the RIA will earn a commission or fee as a result of the transaction. There are existing examples in the life/health industry. The Ministry may want to consider whether limits and disclosures should apply to both direct and indirect compensation (e.g., commissions, fees, volume bonuses) based on sales. As a general fairness principle, the commissions and fees charged should align with the amount of insurance being purchased.

Should value limits be imposed for any types of insurance such that an RIA would not be authorized to sell policies with a value over that limit?

Given the findings published by the FCAC, including the lack of staff knowledge about exclusions and other aspects of how insurance works, limiting the amount of insurance an RIA can sell may be prudent. Today, creditor insurance levels for mortgages, cars, lines of credit etc., can be significant. A limit could be established over which consumers could be informed of alternative solutions. Consumers may not be aware that they may be better served by purchasing traditional insurance, such as term life or disability insurance, at a lower cost.

Other comments or feedback

It would be our hope that the restricted licensing regime will require those selling life/health insurance to carry professional liability insurance at both the corporate and individual level. E&O provides



consumers with the ability to seek financial restitution without resorting to potentially expensive legal action.

In closing, we trust we have identified the issues IFB considers important when considering the implementation of a restricted insurance agent regime that includes creditor life, critical illness, and disability insurance products. As we suggest, a full life and A&S licence may be more appropriate for sellers of these products due to the potential for inadequate training and oversight of sellers, and the real financial consequences for consumers if, for example, a claim for financial restitution is denied, despite years of paying the premiums.

Having said this, IFB supports the Ministry in proceeding to develop a regulatory regime applicable to the sale of incidental insurance products, and those who sell them, as an important measure of consumer protection. We recognize the need to address consumer preferences which include access to insurance-related products in a convenient, efficient way. The current rules for conducting online insurance sales, where the consumer can access a licensed representative, may be a good model for the Ministry in balancing these consumer preferences with recourse to additional professional advice when needed.

IFB would be pleased to answer any questions or discuss our comments further. Should you wish to do so, please contact the undersigned, or Susan Allemang, Director, Policy & Regulatory Affairs (email: [sallemang@ifbc.ca](mailto:sallemang@ifbc.ca)).

Yours truly,

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