



28 January 2020

Insurance Division c/o David Weir
Financial and Consumer Services Commission of New Brunswick (FCNB)
200 – 225 King St.
Fredericton, N.B. E3B 1E1

consultation@fcnb.ca

Dear Mr. Weir,

**Re: Consultation Paper Insurance 2019 –
Incidental Selling of Insurance, Restricted Insurance Licensing Regime**

Introduction

The Canadian Association of Direct Relationship Insurers (CADRI) is the voice of insurance enterprises that offer automobile, home and commercial insurance directly to Canadians. We advocate for flexible and evolving regulatory and legislative frameworks governing automobile, property and commercial insurance to enable product and service innovation so that Canadians can easily choose insurance that serves their needs through the delivery channels of their choice.

CADRI appreciates the opportunity to review and comment on New Brunswick's proposed *Incidental Selling of Insurance, Restricted Insurance Licensing Regime* published in December 2019. In doing so, we offer the perspective of national companies which provide insurance to Canadians across the country. CADRI's members employ, train and supervise insurance agents ensuring that the highest standards of customer service are upheld.

We understand that this proposed regime is part of a larger review of New Brunswick's *Insurance Act*. As such, we welcome the chance to participate in the modernization of the framework governing insurance in the province.

Generally, CADRI holds that insurance products should be offered by financial services institutions that are licensed and equipped to comply with regulations and codes of market conduct. Over time, in some provinces, various vendors of incidental insurance have emerged. CADRI members believe it is important for jurisdictions to ensure that consumers' interests are served when this is the case.

For the most part, our comments are directed at the practices of automobile, watercraft, recreational vehicle, farm implement dealerships and the like.

Definition of incidental selling of insurance

As cited at page 3, the Canadian Council of Insurance Regulators (CCIR) defines an incidental seller of insurance as:

“a person who, in pursuing activities in a field other than insurance, offers as an accessory, for an insurer, an insurance product which relates solely to goods and services offered by the person or secures a client’s enrolment in respect of an insurance product.”

FCNB proposes that incidental seller of insurance be defined as:

“a person that, in the course of selling or providing goods and services to the person’s customers or clients, solicits, negotiates, sells or arranges insurance, or offers to sell, negotiate or arrange insurance, that relates to those goods or services.”

A definition that is used in Manitoba.

As national companies that operate across the country, CADRI is a strong proponent for the harmonization of insurance regulations. CADRI encourages regulators to work with other jurisdictions through such entities as CCIR, as well as the Canadian Insurance Services Regulatory Organizations (CISRO) and Canadian Automobile Insurance Rate Regulators Association (CARR), to assess where rules can be the same from one province to another without any detriment to people buying insurance.

While we note that FCNB “proposes to regulate the incidental selling of insurance through a restricted insurance regime similar to regimes adopted in Alberta, Saskatchewan and Manitoba”, CADRI questions why FCNB would vary its definition from that of CCIR.

Classes and Types of Insurance -- replacement cost insurance

Guaranteed asset protection insurance or “GAP” insurance is authorized to be offered by vehicle and equipment dealerships in jurisdictions other than New Brunswick – notably Alberta and Quebec. It is commonly understood to be the coverage outlined by FCNB in the first bullet on p. 6:

“Provides coverage to a motor vehicle, recreational vehicle, watercraft, farm implement or equipment owner or lessee, in the event of unrecovered theft... or its total loss, for some or all of the amount owed on the purchase financing... or on the lease agreement...”

Relative to the bullet following:

“... provide coverage for some or all the cost of purchasing or leasing a replacement motor vehicle, replacement recreational vehicle, replacement watercraft, replacement farm implement or replacement equipment,”

CADRI disagrees that incidental sellers are a good venue to acquire this coverage for new vehicles. Buying an automobile is a significant purchase for Canadian consumers. The process of negotiating and decision making can be a stressful one. CADRI questions whether the dealership office, at time of closing on a new vehicle, is the ideal setting for making informed decisions regarding the price and value of the replacement value coverage offered by the dealership.

Moreover, this replacement cost insurance, or waivers of depreciation, are offered under standard insurance policies and, in the case of automobiles, offered exclusively by licensed insurance agents or brokers – at rates dealerships may not choose to match. Since consumers are required to insure their automobiles, replacement cost and depreciation waivers are available, and insurance agents are trained and governed by both regulatory and corporate policies, customers are better served by obtaining this coverage through a licensed agent.

If such transactions are allowed by incidental sellers in New Brunswick, designated representatives of the dealerships should have the obligation to explain to customers that replacement value insurance for new vehicles is also available from their auto insurer and to fully divulge the dealer’s commission.

CADRI appreciates that FCNB has built in the ability for customers to rescind their authorization of these transactions for up to 20 days after the fact. However, more responsibility at the point of sale should be placed on the dealership’s designated representative.

Designated representatives

CADRI supports FCNB’s proposal that, in the case of the selling of incidental insurance, a company be licensed, rather than an individual, and that the company, partnership or individual designate a representative as the “primary contact for the business for regulatory purposes and who is responsible for supervising the activities of the licence holder.”

We support the eligibility criteria that the designated representative be “a director, officer or management employee of the licence holder” or a partner or the sole proprietor, as the case may be.

Where CADRI members have designated representatives for Insurance Councils, CADRI has previously suggested that a 10-day window to report changes can be restrictive in certain circumstances. Therefore, we recommend a 30-day period.

Conclusion

CADRI values the occasion to contribute to New Brunswick’s work to modernize its Act and regulatory framework. In this instance, our remarks are confined to the definition of incidental selling, the risks of allowing dealerships to offer replacement cost insurance on new vehicles and the practicality of the regime for designated representatives.

We would welcome the opportunity for dialogue to work with FCNB to discuss solutions that meet regulatory goals, serve and protect consumers, while supporting a thriving industry in New Brunswick.

Your sincerely,



Alain Thibault
Chairman and CEO

- cc:
- CADRI Board of Directors
 - CADRI Atlantic Committee
 - CADRI Licensing Task Force
 - David Weir, Senior Technical Advisor, Insurance, FCNB
 - Amanda Dean, VP, Atlantic, IBC
 - Keith Martin, Executive Director, CAFII
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