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E-Distribution of Insurance Products: the CCIR Publishes its Recommendations

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In January 2012, the Electronic Commerce Committee of the Canadian Council of Insurance Regulators (**CCIR**)[1] released an issue paper entitled "*Electronic Commerce in Insurance Products*", through which it invited insurers and intermediaries to provide feedback on certain targeted issues respecting online insurance distribution.

Many stakeholders responded; 25 submissions were sent to the CCIR. The organization has just published its report under the form of a position paper in which it makes recommendations to online insurance providers.

CONTENTS OVERVIEW

The position paper deals with the following issues:

1. Information and advice to consumers
2. Identification of the online insurance provider and the complaint process
3. Disclosure of necessary information about the product
4. Opportunity to review the accuracy of information provided
5. Copies of the application and the contract
6. Reliability of transactions
7. Protection of personal information
8. Designation of beneficiary
9. Termination of insurance contract by the insurer
10. Comparison shopping sites
11. Social media

SUMMARY OF THE RECOMMENDATIONS

Here are the outlines of the CCIR report and its recommendations. The full version of the recommendations is available online at http://www.ccir-ccrra.org/en/pubs/

1. INFORMATION AND ADVICE TO CONSUMERS

The CCIR remarks that consumers must have access to all the necessary information in order to understand the product offered and make an informed purchase decision. The selected product must satisfy the consumer's needs, irrespective of the means of communication chosen by consumers. The CCIR noted that some insurance products are more complex than others and the need for advice may vary from one person to another; in all cases the CCIR is of the view that the advice must be adapted to the type of insurance product offered and the client's profile. Therefore, the CCIR believes that consumers should be presented with a disclosure stressing the importance of advice and how to obtain it.

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2. IDENTIFICATION OF THE ONLINE INSURANCE PROVIDER
The CCIR states that consumers must have access to the information and coordinates which would allow them to identify the insurance provider and verify that it is a regulated entity registered with the regulator of its province. The CCIR also recommends that the coordinates and procedure for filing a complaint be disclosed on the website, including a link to the website of the regulator having jurisdiction over the entity in question.

3. DISCLOSURE OF NECESSARY INFORMATION ABOUT THE PRODUCT
The CCIR indicates that in order to make an informed decision, consumers must have access to certain specific information about the product, including the warranty, exclusions and limitations, the type of consumer for whom it is intended, the premium, the right to terminate the insurance contract, etc. This information must be presented in a simple, clear and timely manner.

4. OPPORTUNITY TO REVIEW THE ACCURACY OF INFORMATION PROVIDED
In the context of e-distribution of insurance products, consumers themselves complete the application form online. In order to avoid any error that would negatively affect consumers and providers, the CCIR recommends that consumers be given the opportunity to validate their answers once more before sending the online application.

5. TERMS AND CONDITIONS
The CCIR stresses the importance of consumers having a copy of the application and the contract that they can refer to following the transaction. Although the format of the documents must enable consumers to reproduce and store them, the method of communicating the documents is not specified.

6. RELIABILITY OF TRANSACTIONS
The CCIR notes the undesirable consequences of using a defective computer system network that can negatively affect the process and the fact that online insurance providers have the responsibility to ensure that the consumer’s personal information is secure.

7. PROTECTION OF PERSONAL INFORMATION
In order to avoid the inadvertent disclosure of personal information, identity theft, fraud, misappropriation and money laundering, the CCIR stresses the importance of protecting the personal information of consumers.

8. DESIGNATION OF BENEFICIARY
The CCIR discussion paper raised the issue of whether the designation or change of beneficiary through electronic means should be authorized. In the absence of specific legislative provisions authorizing the electronic designation of beneficiary, the CCIR notes that insurers currently continue to require that designations be made on paper. However, British Columbia and Alberta recently made changes to their respective regulations, which could make insurers more willing to authorize beneficiary designations through electronic means. The CCIR committee adopted a position recommending that insurers have in place effective systems for offering consumers the option of designating and changing beneficiaries by electronic means.

9. TERMINATION OF THE CONTRACT
In the January 2012 discussion paper, the CCIR asked whether insurers should be allowed to terminate a contract by electronic means if both parties consented. The CCIR mentions that British Columbia and Alberta recently chose to maintain the requirement of an insurance termination notice on paper. In light of the mixed opinions on the subject, the CCIR chose to maintain the *status quo* on that issue; it recommended no change to existing practices respecting contract termination for the time being.

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10. COMPARISON SHOPPING SITES

The CCIR raises some issues relating to comparison shopping sites, particularly as to their independence, the disclosure of information to consumers, whether or not these sites are involved in transacting insurance and whether or not they are subject to regulation. The CCIR prevailing view is that no additional rules appear to be necessary at this time. However, the CCIR adds that these sites should have the same obligations as regulated entities subject to the current regulatory framework and that regulators should require comparison shopping sites to comply with applicable legislation.

11. SOCIAL MEDIA

Due to the increasing use of social media in the insurance industry, particularly for marketing purposes, the CCIR is of the opinion that social media is a form of communication like any other and that the rules, particularly pertaining to ethics, advertising, suitability and record keeping must be complied with when insurers and representatives use social media.

NEXT STEPS

The CCIR has invited industry stakeholders to provide commentary on the CCIR recommendations by July 26, 2013. The *CCIR* will subsequently review the stakeholders' comments. Final recommendations will then be adopted and published by the CCIR. It should be noted that submissions will be made publicly available by the CCIR.

CONCLUSION

These recommendations strive to harmonize provincial rules in the practice of the offer and distribution of insurance products in Canada. Considering the involvement of the *Autorité des marchés financiers* in the development of the position paper, these recommendations suggest the direction that the regulation of the online distribution of insurance products in Quebec should take. In the meantime, it will be interesting to see the industry reaction to the guiding principles suggested by the CCIR.

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[1] The CCIR is a national forum which promotes collaboration among the Canadian provincial regulators for improving insurance regulations and protect public interest.

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