

Insurance Agent and Broker Reciprocal Licensing
Response to the CCIR and CISRO consultation paper of November 2005

Submission

February 2006

Insurance Brokers Association of Canada

About IBAC

The Insurance Brokers Association of Canada (IBAC) is the national trade association representing over 29,000 property and casualty (P&C) insurance brokers through its 11 member associations.

Although our provincial member associations may be submitting their own submissions in this matter, we are presenting our professions position from a national perspective seeing that this consultation deals with suggestions of harmonizing throughout the country.

IBAC's Standing

Beyond acting as a national trade association, IBAC is deeply involved in the educational aspects of the profession. Through its Professional Development department, IBAC is intimately involved in developing, producing, publishing, and certifying the vast majority of individuals interested in joining the profession as a P&C insurance broker. IBAC operates this educational program in every province across the country (except Quebec), and has been since 1960.

The educational standards and requirements of entry into the profession have been set, and are maintained by IBAC through its own "Fundamentals of Insurance" and Canadian Accredited Insurance Broker (CAIB) courses. Above and beyond the CAIB designation, IBAC also manages the Canadian Professional Insurance Broker (CPIB) and the Canadian Certified Insurance Broker (CCIB) designations, whose requirements build on the foundations of CAIB.

For these reasons, IBAC feels that it is qualified in providing the CCIR its position on this consultation, and furthermore that any changes contemplated and/or implemented by the Council will affect us as a provider of educational services, as well as recipient students across the country.

Discussion

The CCIR is seeking viewpoints on possibly harmonizing three areas of the certification process for general brokers: applications, continuing education, and errors and omissions (E & O) insurance. This submission will deal with all three in turn.

IBAC would like to begin with a general theme, which would then flow into the three specific areas.

There is no single system for education in Canada. Responsibility for education was assigned to the provinces by The British North America Act of 1867. Each province and territory has its own autonomous education system and thus makes decisions regarding both the content and the method that education is delivered to its citizens. Because of the geographic and demographic variances in a country as vast and sparsely populated as

ours, the founding fathers wisely assigned the responsibility of education to regional authorities, realizing that it would be impractical for a central government to put in place a “one size fits all” program for the entire country.

Beyond the primary and secondary levels of education, colleges and universities are also managed at the provincial level. Professional designations have over the years also adopted a regional/provincial approach: medical colleges, dentistry, bar associations, architects, among others.

The rationale behind regulating entry into these various professions at a regional level recognizes that each jurisdiction has its specific circumstances and needs that differ from others. In the case of the insurance industry, each province has a market with specific needs and requirements on unique types of insurance expertise.

As an example, the Atlantic provinces along with B.C. have a substantial commercial fishing market, whereas the prairie provinces enjoy immense farming operations. These markets require geographic-specific expertise, which can be found in the content of their educational materials as well as throughout the examination and certification processes.

It is with this basic approach in mind that our position towards fundamentally harmonizing any educational or certification aspects of the profession would not be in the collective interest of brokers or clients of insurance products.

1) APPLICATION FORMS

IBAC has no concerns regarding all provinces adopting the Harmonized General and Life and Accident and Sickness Applications as it does not fundamentally alter any of the existing provisions of the process.

2) CONTINUING EDUCATION (CE)

The following provinces have CE requirements: B.C., Alberta, Saskatchewan, Manitoba, Ontario and Quebec. In addition, each of these jurisdictions differs on their own requirements. IBAC believes that harmonizing these requirements would create an un-level playing field in two scenarios.

A) A province would see its standard diminish if it agrees to accept someone coming from a jurisdiction with lower standards.

B) A province would see its standard having to be raised if it accepts a broker from another jurisdiction whose standards are much more stringent.

Thus, the jurisdictions with CE requirements would see their standards rendered obsolete with the acceptance of brokers from jurisdictions with no requirements.

Every jurisdiction would see changes to its requirements if a harmonized approach is implemented. We cannot support seeing the requirements in some jurisdictions abandoned, or mandating a higher standard in those jurisdictions that have none.

However in the interest of maintaining a level playing field, we are of the view that it would be prudent and fair to allow a jurisdiction to accept and credit the requirements obtained in another jurisdiction. Fulfilling the requirements in one jurisdiction should be applicable towards the completion of the requirements in another jurisdiction.

By way of example, if a broker obtains five credit hours in his/her jurisdiction, and wishes to relocate to another whose requirements are set at 15 hours, the broker would have his five hours acknowledged and credited towards the required 15. Therefore, he/she would only have to make up the difference for the new jurisdiction (ie. 10 hours).

We believe that this approach meets the goals of recognizing and maintaining the rules that jurisdictions currently have in place, and does not punish the broker who has already invested in CE requirements. This approach is a balanced one, taking into account the interests of both brokers and certification bodies.

3) ERRORS AND OMISSIONS INSURANCE

IBAC would have no objection in supporting the approach as set out by the Council: *“Jurisdictions that currently limit the maximum policy deductible, will accept a policy where the first dollar of any claim is to be paid directly to the claimant to be equivalent to a zero deductible”* on page 5 of the Consultation Paper of November 2005.

Reliance model of reciprocal licensing

IBAC is of the view that this initiative is much too consequential and complicated to be addressed in this Consultation Paper. We have serious concerns that such an initiative would have wide-ranging repercussions that would transcend not only the broker/agent divide, but also inter-provincial and even inter-continental concerns dealing with the professionalism of the industry.

Based on known experiences such as President’s Choice involvement with licensing agents in India for the Canadian market, we have serious concerns that such reciprocity would be an invitation for standards of professionalism to be questioned, and the dismantling of transparency for both regulators and consumers. Regulators would be confronted with endless issues in their responsibilities as supervisors and initiators of consumer and industry protection rules.

Another concern of ours is that such a laissez-faire approach would create the conditions that would permit over-zealous players to engage in highly questionable and untoward activities such as using the standards of one jurisdiction to circumvent the rules of

another. Opening such a can of worms would create an environment that would be at best impossible to regulate, and at worst put into question the professionalism of an entire industry that Canadians depend on.

Our respectful position is that this initiative has much more wide-ranging implications than is presented in the Consultation Paper, and as such deserves a thorough separate consultation which we do not believe can be addressed in this process. We would therefore respectfully request that the Council set aside discussion of this topic and refer it to a more in depth and appropriate forum.

Respectfully submitted on this date of February 6, 2006.