



December 23, 2014

By email to: consult@fcac.gc.ca

Ms. Jane Rooney
Financial Literacy Leader
Financial Consumer Agency of Canada
427 Laurier Avenue West, 6th Floor
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Dear Ms. Rooney,

The Canadian Life and Health Insurance Association Inc. (CLHIA) is pleased to provide comments in response to the Financial Consumer Agency of Canada's (FCAC) consultation paper, "*Towards a National Strategy for Financial Literacy, Phase 3: Young Canadians and Adults*".

Established in 1894, the CLHIA is a voluntary trade association that represents the collective interests of its member life and health insurers. Our members account for 99 per cent of the life and health insurance in force in Canada, and administer about two-thirds of Canada's pension plans. Life and health insurance companies contribute to the financial well-being of more than 27 million Canadians through products such as life insurance, annuities and supplementary health insurance. Policyholders and their beneficiaries receive \$76.2 billion a year in benefits, or almost \$1.5 billion a week, with over 90 per cent of benefits going to living policyholders.

Our industry shares the key objectives set out in your paper, namely, to improve financial capability and financial well-being through life-long learning that focuses on information that is clear and understandable to consumers and available at relevant moments in their lives. In this response, our focus is on those areas where we believe we can contribute most effectively -- helping to improve financial literacy around managing risk, and leveraging our distribution channels to do so.

At the outset, we would note that, while we agree wholeheartedly with the overarching objectives, we find the risk goal (to "promote the practices that contribute to financial well-being and that protect against risk") unclear. The commentary focuses almost entirely on increasing awareness about and protecting oneself from fraud, scams and identify thefts. While this is very important, another key component of managing risk is through insurance, be it house or car insurance, or life or disability insurance. It appears that the intention is to include insurance as well, but it seems to be an afterthought, rather than a fundamental, and gets lost in the fraud protection goal. We wonder if risk protection as it relates to insurance might be more accurately and meaningfully captured under a different goal.

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If you consider the "pyramid" of financial planning, the fundamentals involve covering survival costs and building an emergency fund. Once that is satisfied, the next step involves planning and protecting what you have (e.g., through insurance, debt reduction, and wills). Once all those basics have been satisfied, you move onto savings and investments.

Given that protection (managing risk through insurance) is one of the basics or building blocks of personal financial planning, we do not believe it should be subsumed in a goal with a primary focus on fraud protection.

We believe that a better fit would be under Goal 1 for adults (sound skills and behavior) or Goal 1 for young Canadians (information to manage money at key points through their lives). Alternatively, it could also fit under Goal 2 for both (setting financial goals, saving and planning for the future).

The financial knowledge that consumers will need will vary throughout their lives. The paper recognizes that consumers will be most receptive to learning about relevant financial concepts during times of key change, such as starting a new job, buying a home and having children. Financial literacy materials will resonate most strongly at these "teachable moments" and it makes sense, as part of the national strategy, to seek out ways to recognize and leverage these moments.

We believe that two such opportunities exist at the workplace and "across the kitchen table".

Workplace benefit plans (health, disability and life insurance, as well as retirement and pension plans) form an integral part of risk management and protection and/or retirement planning for many Canadians. Understanding these plans is critical to ensuring that employees are making the best use of the benefits available to them, just as understanding government benefit programs is an important component of financial literacy.

Insurers reach out to employees through workplace seminars and tailored website information. Increasingly, insurers are looking at tools that are more engaging to consumers, to make it interesting and relevant for them to understand their financial situation (e.g., videos, gamification, etc.). For example, Sun Life has "Money UP", a game-inspired approach to financial literacy for employees with workplace retirement plans.

http://www.sunlife.ca/Canada/sunlifeCA/Investments/Gamification/Sun+Life+Gamification?vgnLocale=en_CA.

We have offered to work with FCAC to explore ways to expand outreach to employees and further raise awareness about financial wellbeing at the workplace. For instance, "onboarding" for new employees is an excellent opportunity to share information about workplace benefits, and could also be used to provide information about additional financial literacy tools and resources.

Aside from the workplace, opportunities abound to build better financial literacy on a one-to-one basis. The industry's 80,000 licensed life and health insurance advisors help to build financial capability among consumers, and to do so at teachable moments. These advisors usually sit down "across the kitchen table" in the consumer's home, and develop long-term relationships with their clients. They are often first contacted when a consumer is getting married, buying their first house, or having their first child. They work with consumers to identify and understand needs -- such as protecting the breadwinner(s)' income against premature death or disability, ensuring that debts are covered in the event of death or developing sound savings habits -- and offer a range of solutions.

Advisor associations have taken steps to provide information to consumers and link them to advice through "find an advisor" website functions. Specifically:

- Advocis has established a consumer site that provides information about financial topics, and links consumers to advisors according to their geographical area and areas of interest. <http://ouradvisor.ca/>
- The Independent Financial Brokers of Canada provides financial information and an advisor search by geography. <http://ifbc.ca/consumer-information>

These on-line resources tie in to the national Task Force recommendation to help Canadians "become better informed about the role and benefits of professional financial advice".

It is, of course, very important that not only are consumers reached at teachable moments, but that the information they are provided with is clear and understandable. To further that objective, our industry continues to raise the bar when it comes to clear language initiatives as a way to promote understanding of insurance products and foster stronger financial literacy and confidence among consumers.

Finally, you asked about tools that may spark young Canadians' interest in financial literacy. In addition to the list of excellent resources identified in your paper, we would offer two more:

- "Camp Millionaire", a unique one-week summer camp for kids aged 9-16, offered in partnership with Seneca College and other Canadian colleges. The program uses a variety of interactive games and activities to teach money skills -- how to make money, manage money, prepare budgets, save, understand compound interest and credit scores. <http://www.financialiq.ca/programs.php>.
- Desjardins has developed a course for young Canadians, aged 16 - 25, called "Personal Finance -- I'm in Charge". It covers topics such as spending wisely, how to save, making your money work for you, and preventing over-indebtedness. It is offered as a series of two-hour courses through participating caisses and community organizations. <http://www.desjardins.com/ca/co-opme/desjardins-difference/personal-finance/index.jsp> .

We appreciate the opportunity to comment, and look forward to working collaboratively with you and FCAC as you implement the national strategy.

Sincerely,

Leslie Byrnes
Vice President, Distribution and Pensions