

networking fees should be above board and subject to monitoring by the relevant regulator.

However, the issue that has arisen is not networking per se, but rather networking of insurance services directly on the premises of deposit-taking institutions. And if licensed insurance agents can sell insurance services on the premises of deposit-taking institutions, who can be so licensed? The Committee now addresses these issues.

In the federal government's Blue Paper and in its draft legislation, licensed insurance agents were to be prohibited from selling insurance services on the premises of deposit-taking institutions. Witnesses from the insurance industry supported this ban while the chartered banks argued for on-premise distribution. Representatives from the National Bank were the most concerned since Quebec legislation allows on-premise distribution of insurance products for caisses populaires.

The Committee's view is that whether insurance agents are licensed to sell their products on the premises of (non-insurance) financial institutions is a provincial, not a federal, decision. However, if a province allows this privilege for its provincially chartered institutions (credit unions, caisses populaires, provincial trusts) then the Committee believes that this same privilege must also extend to federally chartered financial institutions. Thus, the appropriate sort of recommendation here is not one that says yes or no to on-premise selling of insurance. Rather, it is that federally regulated financial institutions will be able to network insurance products in their branches in any province where provincially chartered institutions have this right.

An alternative model is the one that the federal government appears to be proposing. In this model, banks and trust companies are allowed to network insurance products through some distribution channels (e.g. to credit card holders) and some insurance activities can be networked in bank branches (e.g. credit-related life insurance and travel insurance). Other forms of these products cannot be networked through branches, regardless of who employs the insurance agent.

This option has some advantages. It does not ban completely insurance networking but it does circumscribe cases where conflicts may arise. However, it still can leave a federal institution at a competitive disadvantage compared to a provincial institution which is allowed complete networking.

Returning to our own proposal, the Committee recognizes fully that the end result of this may be different treatment from province to province. This is a provincial prerogative. However, what it does mean is that if the caisses populaires can network insurance in Quebec, so can the National Bank. It may be that neither credit unions nor other financial institutions will be able to network insurance in Ontario. What is important, however, is that the playing field is levelled, province by province, and that federally chartered institutions are not disadvantaged vis-à-vis provincially chartered institutions.

Whether or not the end result of this will be full on-premises networking across all provinces will obviously depend on the experience of those provinces which have opted for on-premise networking. Part of the evaluation of this experience will involve an assessment of the adequacy of provisions to ensure that confidential consumer information does not pass between the deposit-taking institution and the insurance agents. If on-premises networking insurance proves beneficial to consumers, the Committee believes that it will become national. Otherwise, it will not. Surely, this is the appropriate way for federal policy makers to address this issue.