

Report on Business

FINANCIAL SERVICES

Ottawa scuttles online insurance marketing by banks

BY TARA PERKINS
FINANCIAL SERVICES REPORTER

Finance Minister Jim Flaherty has decided to stop banks from marketing insurance on their websites, a surprising move that threatens to thwart one of the industry's most important growth strategies.

Bankers said they were stunned by the policy decision, which they said was made without consultations with the public or the banks.

Several of the country's largest banks have been pouring resources into their burgeoning insurance divisions recently.

Royal Bank of Canada has spent millions building insurance offices, a strategy that Bank of Nova Scotia is now testing.

Bank of Montreal earlier this year struck a deal to buy AIG Life Insurance Company of Canada for \$375-million.

But as consumers turn online to research and buy financial products, the banks are increasingly looking to the Internet as a means to take market share from traditional providers of property and casualty and life insurance.

Some critics, led by insur-



Finance Minister Jim Flaherty.
SEAN KILPATRICK/CP

ance brokers, charge that they have been making a mockery of the restrictions in the Bank Act that prohibit banks from marketing or selling most types of insurance in their branches.

"The policy concern has always been mixing the insurance business with the banking business in the same location," Mr. Flaherty told reporters yesterday.

"That's what we're trying to avoid."

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