



Independent Financial Brokers of Canada

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Delivered by email: cisro-ocra@fsrao.ca

Subject: CISRO Draft Principles of Conduct for Intermediaries

Independent Financial Brokers of Canada (IFB) is pleased to comment on CISRO's draft Principles of Conduct for Intermediaries ("the Principles") for the life/health and property & casualty insurance sectors. IFB advocates and provides input to regulators as the single voice for independent distribution, and on behalf of IFB members in particular.

Changes affecting the regulatory landscape in insurance are important to IFB members. The majority are individual life/health insurance advisors who are often licensed in one or more provincial/territorial jurisdiction in Canada. Many are also licensed, or accredited, in other areas of the financial services industry, so they can offer clients more comprehensive advice and recommendations tailored to their financial plans and needs.

IFB actively participates with other insurance stakeholder groups to help foster consensus, cooperation and outcomes that are beneficial for consumers and the insurance industry. As an example, IFB is a member of a coalition of 4 stakeholder groups (G4)¹ which collectively represent life/health insurance distribution. This group worked collaboratively to develop recommendations and a written proposal to the CCIR and CISRO identifying opportunities to strengthen oversight of advisors, and the industry more generally, several years ago.

One of the recommendations endorsed by the G4 was that insurance regulators develop a national code of conduct for insurance intermediaries. Subsequent to the recommendation, CISRO and the CCIR published their framework and guidance for treating consumers fairly, which includes elements of conduct that might otherwise have been captured in a code of conduct.

¹ Canadian Life and Health Insurance Association (CLHIA); Canadian Association of Independent Life Brokerage Agencies (CAILBA); Advocis; Independent Financial Brokers of Canada (IFB)



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In response, IFB updated its own Code of Ethics and Statement of Professional Conduct² to reflect the FTC guidance. IFB members must agree to be bound by the IFB Code when joining, and annually thereafter.

Our specific comments on the Principles follow.

The Principles

IFB supports the intent of the Principles, which is to complement and supplement the CCIR/CISRO Fair Treatment of Customers (FTC) Guidance by setting minimum regulatory conduct standards for all insurance Intermediaries across Canada.

CISRO states the Principles will *be a resource for consumers to better understand the conduct they should expect from intermediaries*. It would be helpful for CISRO to provide an accompanying explanation as to its expectations around how this will be achieved. It's a fair assumption that many consumers would not be familiar with insurance regulatory bodies or have knowledge of how to access such information. It will be important that this new set of Principles be introduced in a way that will be meaningful for insurance advisors, who may be subject to a variety of codes now, and clients.

IFB agrees that the Principles should apply to all distribution methods, including sales conducted on the internet. Customers should be assured of a minimum standard of conduct regardless of how they access insurance products, including whether they can expect to receive professional advice from a licensed advisor.

Principle 1. Compliance / Outcomes: Intermediaries must comply with all applicable laws, regulations, rules and regulatory codes to which they are subject.

IFB supports the fundamental premise that intermediaries must conduct themselves in a compliant manner. Much of the work IFB does for its members is designed to assist with compliance information and provide tools to help members remain current with changing regulatory expectations and industry best practices.

Principle 2. Customers' Interests: Intermediaries must place the Customers' interests ahead of their own, at all times throughout the business cycle. This includes when developing, marketing, recommending, distributing, and servicing products.

² [Independent Financial Brokers of Canada | Code of Ethics & Standards of Professional Conduct - Independent Financial Brokers of Canada \(ifbc.ca\)](https://www.ifbc.ca/code-of-ethics-standards-of-professional-conduct)

The requirement to place the Customer's interest first is consistent with the client focused reforms adopted by the CSA for securities registrants. Harmonization between these regulatory regimes is important for our many IFB members who are both life insurance licensees and securities registrants.

IFB has suggested additional highlighted wording to underscore that this Principle applies throughout the various stages of the relationship with a Customer.

Principle 3. Conflicts of Interest: Intermediaries must identify, disclose and manage any actual or potential conflict of interest associated with a transaction or recommendation. They must avoid entering into or pursuing agreements for which conflict(s) of interests cannot be managed, or if it interferes with the fair treatment of Customers.

IFB supports this Principle.

Principle 4. Advice: If providing advice to or for a Customer, intermediaries must seek complete information from the Customer in order to understand and identify their unique needs. Intermediaries must provide objective, accurate and thorough advice that enables Customers to make an informed decision. Advice must be suitable for the needs of the Customer based on the Customer's disclosed circumstances.

IFB supports the statement that *advice be suitable based on the information disclosed*. This recognizes that some Customers may not want to disclose all the circumstances that may be relevant for an intermediary to provide thorough or complete advice.

We suggest adding a comment that where no advice is provided, the Customer should be informed.

Principle 5. Disclosure: Intermediaries must provide Customers with objective, complete, relevant, and accurate information and explanations so that they can make informed decisions throughout the business cycle.

Intermediaries must:

- Properly disclose relevant information to all necessary parties; including the insurer; and
- Disclose information and explanations in a manner that is clear and understandable for Customers, regardless of the distribution model or medium used.

While we agree with the intent of the Principle, it should be noted that intermediaries are generally required to use the marketing and product information provided by the manufacturer (insurance company) and are prohibited from developing their own. This was acknowledged in the CCIR/CISRO FTC Guidance which states: *The Insurer is responsible for providing promotional material that is accurate, clear and not misleading not only to Customers but also to Intermediaries who may rely on such information.*

The highlighted text, "throughout the business cycle", has been added to capture that a Customer may need to make an informed decision at various times over the period of engagement.

Principle 6. Product and Service Promotion: Intermediaries must ensure that products and services are promoted in a clear and fair manner. Regardless of the distribution model or medium used, Intermediaries must ensure that promotions are not misleading, and are easily **understood**. Product promotions must disclose all necessary and appropriate information.

We have the same comment as in Principle 5, in that much of this is outside the control of intermediaries, who are not insurers.

Principle 7. Claims, Complaints Handling, and Dispute Resolution: Intermediaries must handle or assist in the handling of claims, complaints, and disputes in a timely manner and **in a way that does not interfere with the fair treatment of Customers.**

It might be helpful to add a reference to the fair treatment of Customers, as has been suggested in the highlighted text.

Principle 8. Protection of Personal and Confidential Information: Intermediaries must take necessary and appropriate measures to protect **a Customer's** personal and confidential information. They must:

- Only collect **and retain** information that is necessary and appropriate for the fulfillment of the service or product provided;
- Use and disclose the information only for purposes and for the duration for which the Customer has given consent; and
- Comply with all applicable privacy legislation to appropriately manage the information.

Additional clarifying text has been added and highlighted in yellow.

Principle 9. Competence: Intermediaries must maintain an appropriate level of professional knowledge to ensure the fair treatment of Customers. Continuing education requirements must be fulfilled and duties must match training/ education. Intermediaries must not misrepresent their level of competence or conduct business beyond their level of professional knowledge and experience.

IFB agrees with this objective and encourages CISRO and/or individual jurisdictions to ensure their CE requirements are appropriate to reflect today's more complex insurance products and markets. Updating and harmonizing the CE requirement across Canada was a G4 recommendation.

CE is a mandatory licensing requirement for many, but not all, individual licensees in Canada. How will this Principle be satisfied in jurisdictions which have no ongoing educational requirement?

How will the education requirement apply to employees in managerial or sales functions for example, of business entities which are Intermediaries, but those employees are not also individually licensed? Is the intent that these types of situations would be captured under Principle 10?



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Principle 10. Oversight: Intermediaries with contractual or regulatory oversight obligations are also responsible for the conduct of any employee or third party involved in the distribution or servicing of an insurance product. Intermediaries have tools at their disposal such as policies and procedures, training and control mechanisms to ensure the fair treatment of Customers is achieved in relation to their oversight obligations.

IFB agrees that, in order to foster a business culture that supports the fair treatment of Customers, employees and third parties should be appropriately trained to understand and deliver on this obligation. On an ongoing basis, control mechanisms should be in place to detect risks that could negatively affect the fair treatment of Customers.

In conclusion, IFB supports the approach of the Principles. Principle-based guidance for Intermediaries provides the flexibility needed for Intermediaries of all sizes and business structures to comply with the goals and objectives of the fair treatment of Customers.

We trust our comments will be helpful. Should you have questions, or wish to discuss our comments, please contact the undersigned, or Susan Allemang, Director Policy & Regulatory Affairs (email: sallemang@ifbc.ca).

Yours truly,

A handwritten signature in black ink that reads 'Nancy Allan'.

Nancy Allan

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