



Guideline G14 CONFIRMING ADVISOR DISCLOSURE

This Guideline has been approved by the Board of Directors of the Canadian Life and Health Insurance Association Inc. (CLHIA). Member Companies are expected to adopt this CLHIA Guideline having regard to the company's structure, products and business processes, including distribution channels. Member Companies are urged to incorporate this Guideline into the company's ongoing compliance program.

Adopted December 2007, effective January 1, 2009

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1. INTRODUCTION

In 2006, the Canadian Council of Insurance Regulators (CCIR) adopted principles for managing actual or potential conflicts of interest associated with insurance advice or transactions. Those principles require that: (1) the advisor place the interests of policyholders and prospective purchasers of insurance ahead of his or her own interests; (2) advisors provide consumers with disclosure of any actual or potential conflict of interest; and (3) the recommended product is suitable for the needs of the consumer.

The disclosure required under point (2) above includes the names of insurers represented, the methods of compensation and other relationships that may create actual or potential conflicts of interest. CLHIA, together with advisor associations Advocis, the Independent Financial Brokers of Canada and the Canadian Association of Independent Life Brokerage Agencies, developed guidance for such disclosure, set out in the Reference Document, *Advisor Disclosure*.

2. PURPOSE

The regulators' principles clearly oblige advisors to make appropriate disclosure at point-of-sale. This Guideline recommends practices that member companies can adopt to confirm that all advisors make disclosure consistent with that set out in the industry's Reference Document, *Advisor Disclosure*.

3. SCOPE

This Guideline applies to the sale of individual life and health insurance policies offered by member companies where an advisor (i.e., a licensed life and/or accident & sickness insurance agent) is part of the sales process.

In the event of any conflict between the provisions of this Guideline and any applicable law, the law takes precedence over the Guideline to the extent of the conflict.

4. CONFIRMING ADVISOR DISCLOSURE

Insurer processes should ensure that appropriate disclosure has been made by the advisor. Policy applications do not proceed unless they are "in good order". Among other things, this includes the advisor's signature on the "representative's report". This provides an opportunity for the advisor to confirm

that they have made appropriate disclosure to the client, as set out in the industry's Reference Document, *Advisor Disclosure*. For instance, the report could include a statement covering the following points:

- a) that the advisor has disclosed the company or companies they represent;
- b) that the advisor has disclosed they receive compensation (such as commissions or a salary) for the sale of life and health insurance products;
- c) that the advisor has disclosed that they may receive additional compensation in the form of bonuses, conference programs or other incentives; and
- d) that the advisor has disclosed any conflicts of interest they may have with respect to this transaction.

Such a statement could be tailored to the insurer or distribution channel (e.g., career, brokerage). Where an insurer accepts an application through a call centre or online process using a licensed life and/or accident & sickness insurance agent, the insurer's processes should also ensure that appropriate disclosure has been made.

5. CONFERENCE PROGRAMS

To reinforce the above protocol, insurers should also incorporate into their conference programs a specific requirement that advisors are expected to disclose potential eligibility for conferences in order to qualify for the conference.