



Guideline G9
DIRECT MARKETING

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.

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DIRECT MARKETING

1. INTRODUCTION

Direct marketing is a direct offer of voluntary life or health insurance coverage to a consumer. This includes, but is not limited to, marketing via direct mail, telemarketing and the Internet. It includes the marketing of individual or group insurance, except for group insurance associated with one's employment (e.g. employer, union, or association plans).

Consumers are well-served when they have access to sufficient information to make an informed buying decision regardless of the channel through which they choose to purchase a life or health insurance product. In "traditional" channels involving interaction with an agent, this objective is managed through provincial licensing of intermediaries, which sets out licensing, educational and professional requirements for agents.

Expectations of appropriate disclosure in direct marketing were first set out by provincial Superintendents of Insurance in their 1973 "Guidelines on Mass Marketing". Those have since evolved into the CLHIA Guideline on Direct Marketing.

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.

2. PURPOSE

The purpose of this Guideline is to set out practices for disclosure of information to consumers in the direct marketing channel.

3. SCOPE

This Guideline applies to all member companies with respect to direct marketing. In those cases where a member company contracts with a third party for direct marketing, the member company should use contractual or other means to require behaviour that is consistent with the Guideline.

This Guideline does not apply to marketing activities undertaken by licensed insurance agents. It does apply to direct marketing activities by entities that are not licensed agents even if the application is ultimately taken by a licensed insurance agent.

4. GENERAL PRINCIPLES

- (i) Sufficient information should be made available for the consumer to make an informed decision as to whether to apply for coverage.
- (ii) All information should be presented and described accurately in clear language.
- (iii) Contact information should be provided so that the consumer can access more information about the product or insurer.
- (iv) The insurer should review and approve any marketing material, regardless by whom written, created, designed or presented.
- (v) This Guideline should be read in conjunction with all other applicable CLHIA Guidelines (e.g. those applying to the underlying product).

5. BASIC DISCLOSURE

Disclosure to the consumer, prior to the consumer accepting coverage, should include the following:

- (i) the name of the insurer that will issue the product;
- (ii) sufficient contact information so that the consumer can communicate with the insurer, if desired;
- (iii) the main type of benefit provided by the product (e.g., life insurance, disability insurance);
- (iv) the amount of the premium or a description of the basis for determining it, so that the consumer can calculate it;
- (v) if applicable, a statement that there are terms and conditions which might limit or exclude coverage, and clear disclosure of significant exclusions, restrictions or limitations such as, but not limited to, pre-existing conditions and consequences of misrepresentation;
- (vi) the fact that the coverage may be null and void if there has been a material misrepresentation of any kind, including medical information, by the consumer in the application process;
- (vii) clarification as to whether the policy is an individual or group policy; and
- (viii) the source and date of any statistics used in marketing.

6. CONFIRMATION OF COVERAGE

Confirmation of coverage and related product information, if applicable, should be provided to the consumer in a timely manner, and consumers should be clearly advised of the effective date of their coverage.

Consumers should be provided with clear information regarding rescission rights, if applicable, and cancellation.

7. MEDICAL ASSESSMENT

The phrase “no medical examination required” or a phrase of similar import should not be used unless the phrase is qualified to indicate when it applies only to the issuance of a policy or coverage, where such is the case.

8. TESTIMONIALS

All testimonials used in marketing communications should be genuine. They should be accurate and precise and represent the reasonably current opinion of the author. Where a testimonial or a recommendation is paid for directly or indirectly by the insurer, or on its behalf by anyone else, that should be disclosed. In using a testimonial, the insurer is deemed to assume as its own the content of the testimonial, and the communication including such statements is subject to all of the provisions of this Guideline.

9. INTRODUCTORY, INITIAL OR SPECIAL OFFERS

- (i) Marketing communications should not state or imply that a particular policy or combination of policies is an introductory, initial, or special offer and that the applicant will receive advantages by accepting the offer, or that the offer is limited to a specified group of individuals, unless such is the case.
- (ii) No special introductory premium should be offered in a marketing communication other than an actuarially sound preliminary term premium. Subject to applicable regulations, a group policyholder may offer to pay for premiums on behalf of a member. An insurer may, however, provide coverage prior to the due date of the first premium.
- (iii) Marketing communications should not contain any statement or implication to the effect that only a specific number of policies will be sold, or that a time is fixed for the discontinuance of the sale of the particular policy presented because of special advantages available in the policy or that an individual will receive special advantages by enrolling within an open enrolment period or by a deadline date, unless such is the case.

10. FINANCIAL AND OTHER STATUS OF INSURER

- (i) Any statement in a marketing communication relating to the insurer’s assets, corporate structure, financial standing, age or relative position in the insurance industry should be factually correct.
- (ii) Marketing communications should not contain statements, words, phrases, symbols or other features which create or tend to create the impression directly or indirectly that the insurer, its financial condition or status, or the payment of its claims or the merits, desirability or advisability of its policy forms or plans of insurance, or the marketing communication itself, are approved or endorsed by any division or agency of a Provincial, Territorial, or Federal government.

11. TELEMARKETING

In addition to the practices outlined in Sections 1-10, the following also applies to telemarketing.

Telemarketing is direct marketing using telecommunications for the purpose of promoting, selling or enrolling customers for life and health insurance products.

Inbound calls, for information or administrative purposes only, fall outside the definition of telemarketing and, hence, the scope of this Guideline. Inbound calls for purchase or enrolment, however, would fall within this Guideline. Insurers should have processes to stream inbound calls appropriately.

In telemarketing any insurance product, appropriate procedures should be established to help ensure that:

- (i) Insurers have considered such matters as the insurance product's complexity, benefits, premium, etc., and determined that such product is an appropriate one to be offered through telemarketing means;
- (ii) where telemarketing representatives (TRs) are used, they and, where appropriate, their supervisors, are properly trained about the products they discuss;
- (iii) TRs have attained competent and professional telemarketing skills; and
- (iv) the interests of the public are well served when contacted by TRs.

11.1 Training

It is the responsibility of insurers to ensure that telemarketing representatives, whether directly employed or through a third party, attain a sufficient level of knowledge which includes information about:

- (i) the insurance product;
- (ii) the TR's limited role as an information provider and not as an advisor of insurance needs;
- (iii) the insurance company that underwrites the product;
- (iv) the group policyholder, if applicable;
- (v) insurance product scripts and the attendant Q&A sheets;
- (vi) telemarketing professionalism and codes of conduct.

11.2 Scripts

TRs should adhere to the prescribed language of the script used for a particular insurance product. All scripted language should be approved by the insurer.

Scripts and, where the consumer has purchased or enrolled in a product, recordings should be subject to a retention period sufficiently long to allow the policyholder and the insurer and, in the case of the group products, the certificate holder, policyholder and insurer to question or substantiate the buying process. A minimum period of one year is recommended.

11.3 Script Content

Scripts should not offer advice on the customer's need for insurance or provide product comparisons, but be restricted to describing the insurance product offered, including such items as the premium, mode of payment and any rescission and cancellation rights.

- (i) Scripts should be clear and truthful and not misrepresent an insurance product.
- (ii) Scripts should identify the insurer.
- (iii) If asked, the TR should be able to provide the consumer with sufficient information to be able to contact the insurer.

As well, a detailed question and answer (Q&A) sheet should be available to TRs to anticipate certain consumer questions.

11.4 Protocol For Unscripted Questions

Insurers should have in place a protocol which deals with those consumer questions that are not dealt with in the insurance product script including the Q&A sheet and that require advice or detailed information. It is recommended that such a protocol could involve the prompt transfer of the consumer's call to:

- the TR's supervisor;
- a licensed agent of the insurer;
- a head office employee of the insurer; or
- another qualified individual.

As an alternative, the consumer could be provided with a toll free number to call for service, or be advised that he/she will be contacted within a certain period of time by a representative of the insurer to answer his/her questions.

11.5 Monitoring

Insurers should have in place sufficient procedures which allow for the frequent monitoring of calls, so as to ensure the accuracy of the information being conveyed to the consumer, compliance with this Guideline and generally with respect to the professionalism of the TRs' conduct.