

June 21, 2006

Dear Stakeholder:

Canadian insurance regulators' final recommendations on management of conflicts of interest

The Canadian Council of Insurance Regulators (CCIR) and the Canadian Insurance Services Regulatory Organizations (CISRO) are pleased to advise you of the current status of the work of the Industry Practices Review Committee (IPRC).

On February 13, 2006, CCIR and CISRO released *Managing Conflicts of Interest: A Consultation Paper on Enhancing and Harmonizing Best Practices*. As part of a progressive approach to market conduct, the recommendations outlined in the consultation paper are focused on outcomes rather than prescriptive rules and regulations. The consultation paper requested comments on three principle-based recommendations designed to promote consumer confidence in the insurance industry:

1. Priority of the client's interest;
2. Disclosure of conflicts or potential conflicts of interest; and
3. Product suitability.

The consultation paper also invited views about the roles of insurance associations, agents, brokers and regulators in achieving the principles or outcomes.

The consultation period formally ended on March 24, 2006. The CCIR Secretariat received 44 responses and would like to thank all respondents. All submissions are posted on the CCIR website at www.ccir-ccra.org.

After considering the responses received, CCIR and CISRO recently endorsed the principles outlined in the consultation paper. With respect to the product suitability principle, some respondents have identified technical issues and suggested wording changes. It should be noted that no further reports or consultation papers are planned. However, the IPRC welcomes wording suggestions that assist intermediaries, insurers and consumers to understand or apply the principle.

As for next steps, CCIR and CISRO intend to focus on the consistent application of these principles across the insurance industry. The IPRC acknowledges the industry's efforts to support the achievement of these principles in the marketplace. Each jurisdiction will consider the industry proposals and evaluate the circumstances in its own jurisdictions to determine what, if any, changes are necessary to implement the principles. These changes may include industry initiatives, regulation or a combination of both approaches.

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CCIR and CISRO agreed to extend the mandate of the IPRC to monitor the implementation of these principles in the marketplace. Specifically, the objectives of the IPRC will be to:

- Follow-up with industry organizations who have submitted implementation proposals to work out the next steps and timeframes;
- Continue to monitor the achievement of these principles in the marketplace;
- Develop a work plan for an implementation review of insurers and intermediaries to assess whether the principles are being implemented in a harmonized and appropriate manner;
- Implement the work plan; and
- Propose next steps, if any, for CCIR and CISRO to consider.

Some industry associations are working on more detailed proposals to implement the principles. All proposals and inquiries may be forwarded to: Carol Shevlin, Policy Manager (A), CCIR Secretariat, at the address below or e-mail: ccir-ccrra@fSCO.gov.on.ca

This letter and all prior IPRC publications are available in both official languages on the CCIR's website.

Thank you again for your comments. We appreciate your continued support of this important initiative.

Sincerely,

Original Signed by:

Grant Swanson
Chair, Industry Practices Review Committee