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Insurance regulators propose new guides

Sir: With respect to the proposition attributed to you in the extract from the Toronto Star article below, I am deeply offended that you would consider business convenience overrides the consumer's right to know what he/she is paying to whom for what. What insurance companies consider to be "prudent" is undoubtedly not primarily in the interests of the consumer or the public. Indeed, far more disclosure is required with respect to corporate connections, policy details, exclusions and limitations. It is extremely worrying that we have less and less information about, or protection from, these corporations. They should also be required to disclose the names of any directors/shareholders who also influence public policy and who have or have had any connection to government. Further, as we have seen, self-regulation cannot be trusted and the consumer must be able to access all relevant information directly.

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"The association suggested it would be enough to let consumers know they could ask their agents or brokers about the commissions that would be earned on sales. Swanson said regulators certainly started out with questions about whether consumer interests could be hurt by the difference in sales commissions offered on different types of products and among different companies.

But, he said, his committee concluded it would be too complicated to require disclosure of commissions paid on all the potential products or by all potential companies an agent or broker might canvass before recommending a policy.

So, his committee is recommending a restatement of principles that are, to a large extent, already in place in codes of ethics and conduct and in regulations across Canada, but perhaps not worded in the same fashion:

- An intermediary must place the interests of policyholders and prospective purchasers of insurance ahead of his or her own interests. (This would preclude putting personal gain ahead of a client's interests, taking advantage of a client's lack of experience or ill health or acting without candour or honesty.)
- Consumers must receive disclosure of any actual or potential conflict of interest associated with a transaction or recommendation.

(Agents would say what companies are represented, which get most of the sales, which were compared for pricing, what compensation method is used and what relationships might create a conflict of interest.)

- The recommended product must be suitable for the needs of the consumer. (Agents would assess a client's needs and objectives, as well as the risks and complexity of a product.)"