



March 24, 2006

Ms. Carol Shevlin
Policy Manager (A)
CCIR Secretariat
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Subject : Answer-IPRC (CISRO) Consultation on managing conflicts of interest

Dear Ms. Shevlin :

The *Chambre de la sécurité financière* (Chamber) apprised itself of the three recommendations proposed by the Industry Practices Review Committee (Committee) and is overall satisfied (see comments below).

Our assessment of the recommendations, especially those regarding the priority of the client's interest and recommending a product that adequately meets a client's need (first and third recommendations), is also based on the fact that the Chamber's Code of Ethics includes clear provisions¹ equalling or exceeding the Committee's recommendations. Incidentally, these recommendations are part of the general obligations and duties of the representatives to act with honesty, loyalty, competence and professional integrity.²

As regards the third recommendation which states that the recommended product must satisfy the consumer's needs, the Chamber's Code of Ethics stipulates that a representative must, before making a recommendation to his or her client, seek to have full knowledge of the facts.³ Moreover, the *Regulation respecting the pursuit of activities as a representative*⁴ states that a representative in insurance of persons, before completing an insurance application with a purchaser or an insured, must analyze his or her insurance needs, the policies or contracts he or she holds, the features thereof, the name of the issuing insurer and all other necessary elements such as his or her income, financial situation, number of dependents, and personal and family obligations. In addition, the representative must record all such information in writing. As we stipulated in our brief to the Committee in August 2005, the sale of financial products and services must always be done through a duly certified representative, who has the required training, knowledge and skills. Thus, we obviously agree with this recommendation and we deem it paramount.

¹ Sections 7, 11, 12, 13, 14, 15, 18, 19, 20 and 21 of the Code of Ethics of the *Chambre de la sécurité financière*, R.S.Q. c. D-9.2, r.1.01

² Section 16 of the *Act respecting the distribution of financial products and services*, R.S.Q., c. D-9.2

³ Section 15 of the Code of Ethics of the *Chambre de la sécurité financière* R.S.Q. c. D-9.2, r.1.0

⁴ Section 6 of the *Regulation respecting the pursuit of activities as a representative*, R.S.Q. c. D-9.2, r. 1.3

As regards the Committee's second recommendation pertaining to the disclosure of actual or potential conflicts of interest, we share the view of the Committee that the disclosure formats must be simple, clear and relevant to the purchase decision. This is done primarily to avoid making the situation complex for consumers. As we stated in August 2005 during the second phase of the consultation, we must make sure that the information presented to a consumer is relevant and simple and that a concise summary of the representative's status, his or her business relationships and compensation is also provided.

The information that insurers should disclose on their web site about their relationships with intermediaries should also be readily understandable by the general public.

Lastly, specifically in answer to question 1, we are of the view that, overall, the recommendations translate the basic best practices as regards managing conflicts of interest. We also believe that the points raised as part of the steps taken by the Committee must be a constant consideration of the various stakeholders such as the regulatory organizations and the industry since we benefit from making sure that adequate measures are put in place to protect consumers and properly inform them, while striving to harmonize the rules among the different authorities and financial services, if applicable.

In answer to question 3, we are constantly asked to improve communications with representatives about the provisions of our Code of Ethics and the various other obligations they must meet so that they can continue to be competent professionals, concerned with maintaining high quality standards to keep their clients' confidence and serve them properly. It goes without saying that the Chamber's role will be to oversee and update the rules governing compulsory professional development.

Our representations at the CISRO meeting in the spring 2006 will address these issues.

Respectfully,

Luc Labelle, M. Sc., C.Adm.
Executive Vice-President

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