



Advocis
350 Bloor Street East, 2nd floor
Toronto, Ontario M4W 3W8

T 416.444.5251
1.800.563.5822
F 416.444.8031
www.advocis.ca

VIA E-MAIL

March 9, 2004

Ms. Maria Policelli
Policy Manager
CCIR Secretariat
5160 Yonge Street, Box 85
17th Floor
Toronto, Ontario
M2N 6L9

Dear Ms. Policelli:

Re: Referral Arrangements

Advocis is the result of the merger of the Canadian Association of Insurance and Financial Advisors with the Canadian Association of Financial Planners. We are pleased to provide our comments on the January 2004 Discussion Paper concerning Referral Arrangements prepared by the License Considerations Committee of the Canadian Council of Insurance Regulators.

Advocis recognizes that certain referral arrangements may play an important role in expanding the market for insurance and in helping consumers understand the benefits of insurance and financial planning. At the same time, we believe that it is vital that clients be fully informed that persons making referrals stand to gain financially, that they are protected from receiving advice from unqualified persons and that their personal information is respected. It is also essential that consumers be protected from potential conflicts of interest that might arise from such referral arrangements.

Our comments on "Parties to Referral Arrangement" under Part IV of the Discussion Paper fall into two categories: referral fees based on a percentage of the commission generated from the referral (commission splitting) and referral fees calculated in some other manner. Where a referral fee is to be based on commission splitting, Advocis is of the view that the person making the referral, to whom the fee is to be paid, should be the holder of a life insurance licence. However, where the fee is not calculated as a percentage of commission, we support the first of the two options put forward by the CCIR in the Discussion Paper, which would allow a referral fee to be paid to any licenced financial service provider.

We support disclosure to the client by the person paying the referral fee (before conclusion of the transaction and payment of the fee), although we see no need for disclosure of the actual amount of such fee or the way in which it is calculated. However, our view is that such disclosure should be in writing.

In addition, it is important that agents should be made aware of the provisions of the *Personal Information Protection and Electronic Documents Act*. In particular, attention must be paid to the Act's requirements relating to disclosure of the uses to which a client's personal information will be put.

Finally, we would like to stress how important we believe it is that a common set of rules should apply to referral arrangements in all Canadian jurisdictions and for both mutual funds and insurance products.

On behalf of Advocis, its 17,000 members and 50 chapters across Canada, thank you for extending this opportunity to present our comments.

Yours very truly,

Beverly Brooks, MA, MBA
Vice President, Public Affairs