



April 5, 2004

Ms. Maria Policelli
Policy Manager
CCIR Secretariat
mpolicel@fSCO.gov.on.ca

Dear Ms. Policelli:

Thank you for your letter of January 23, 2004 enclosing your consultation paper on Referral Arrangements.

We have read the Paper with interest. We believe that the committee has considered the relevant aspects of the issues involved here.

In considering the matter of referral fees, we note you have made the distinction between referral fees and commission splitting (where a fee is to be paid on the basis of a percentage of the commission generated). We believe that this is an important distinction which is relevant in considering this issue. It is also currently a source of confusion to many in the industry.

Networking is an important aspect of the life insurance industry. Generally, IFB members feel that there should be no restriction on who can make referrals to brokers in return for which they might receive a flat fee, which does not relate to the successful completion of a sale or other contingency. However, in the situation where there is an arrangement for a split of the commission on a contingent basis for more than a nominal amount, our members believe that such activity should be restricted to those who are “regulated financial services providers”.

As the paper points out, privacy legislation, which became effective on January 1, 2004, mandates that there be authorization by the subject person to a referral of his/her personal information – including name and contact information. Assuming such authorizations, we believe that disclosure of a referral fee should only be required in the second situation as set out above – where there is a contingent arrangement for such referral fee. Where there is to be such disclosure, our members believe that disclosure by the person paying the referral fee should be sufficient.

The nature of such disclosure should be in writing, including where contact is made via telephone meetings. In this latter case, we suggest that the requirement for audit purposes need only be a recording of the event in the form of a written note.

On the issue of “what to disclose” our members believe that what should be disclosed is the reason for payment and the names of the parties receiving and paying the fee.

IFB is of the view that, percentage fees and other payments based on the sale of the policy should be allowed, but with a cap on fee percentage and fee amount.

In regard to record keeping, we feel that it would be appropriate for regulators to require that accounts be kept identifying the amount of the referral fee related to a transaction.

We appreciate the opportunity to have submitted our comments to you, and will be pleased to discuss them with you. Please feel free to contact me by phone (888) 645-3333, fax (888) 424-2359, or email jaw@ifbc.ca.

Sincerely,

A handwritten signature in black ink, appearing to be 'J. W. ...', written over a horizontal line.

Executive Director