



July 29, 2005

To: The Canadian Council of Insurance Regulators (CCIR) and  
Canadian Insurance Services Regulatory Organizations (CISRO)  
Industry Practices Review Committee (IPRC)

**Re: Relationships between Insurers and Sales Intermediaries – Discussion Paper**

The Canadian Association of Financial Institutions in Insurance (CAFII) is comprised of insurance companies licensed in all Canadian jurisdictions, which provide life, property and casualty, travel, creditor, reinsurance and other insurance products and services. CAFII members serve a major share of the Canadian insurance marketplace, collectively protecting more than 10 million Canadians. CAFII members use an array of distribution methods such as call centres, agents and brokers, travel agents, direct mail, the Internet, and, for "authorized" products, branches of deposit-taking institutions. CAFII therefore spans the insurance industry and is the only organization with members in all the major lines of business. Our diversity enables us to take a broad view of the regulatory regimes governing the insurance marketplace.

CAFII supports the initiative of CCIR and CISRO through the IPRC in undertaking the project on relationships between insurers and sales intermediaries to identify opportunities to enhance public confidence in the Canadian insurance marketplace. We note that the two surveys conducted conclude that there is no evidence of illegal marketing activity as found in the United States. Regulators, however, are concerned about actual or potential conflict of interest that might make a sales representative bias toward certain companies arising from:

- a) Monetary and non-monetary incentives such as contingent commissions, and
- b) Financial links between insurance companies and brokers

As an overview, CAFII supports the concept that regulators reviewed the marketplace to ensure there was no evidence of marketing irregularities, particularly in light of problems in the United States. Our first comment pertains to the need for a policy response. The IPRC studies revealed that there are no major issues, and that the majority of companies have a policy in place to mitigate conflict of interest. Nor have there been consumer concerns raised over the insurance sales process. We further note that the RIBO study concluded that there did not appear to be a "steering" issue among brokerages that have a business relationship with a particular insurer in Ontario. CAFII therefore feels that it is reasonable to conclude that there is no major problem in Canada and that there is,