

By: E-Mail and Mail

Mr. Stephen Paglia
Policy Manager (A)
CCIR Secretariat
5160 Yonge Street, Box 85
17th Floor
Toronto, Ontario M2N 6L9

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We are writing on behalf of Primerica Life Insurance Company of Canada, with over \$50 billion of term life insurance in force across the country, and Primerica Financial Services Ltd., an insurance agency with approximately 7,000 licensed agents selling exclusively the products of Primerica Life Insurance Company of Canada (collectively "Primerica"). Primerica is a member of Citigroup Inc., a global leader in the financial services sector.

Review of CCIR/CISRO Consultation Paper and Request for Stakeholder Feedback

Primerica has carefully reviewed the CCIR/CISRO Industry Practices Review Committee's ("IPRC"): *Relationship Between Insurers and Sales Intermediaries Consultation Paper* (the "Consultation Paper") and fully supports and endorses the IPRC's stated policy objective to reduce the opportunity for actual and potential conflicts of interest in the marketplace while working to promote consumer confidence. All stakeholders have the shared responsibilities of advocating on behalf of the public for an ethical and transparent financial services industry while rigorously guarding against dishonest and coercive sales practices.

Primerica appreciates both the thoroughness of the IPRC's fact-based policy analysis, its pursuit of a coordinated national approach to regulators' review of insurance practices and (critical to this exercise), the opportunity for stakeholders to participate in this discussion and consultation process in providing advice and recommendations based on our particular business expertise and market experience.

The Issues

At issue is the appearance - the fact-based policy analysis of the Consultation Paper clearly states that no evidence of abuse or illegal insurance related activity

was found - that some business practices may contribute to a perception of, or actual, conflicts of interest in the marketplace.

Primerica acknowledges that this is a time where consumer confidence in the financial services industry may be particularly fragile.

It follows that, as financial service providers and regulators, our task is to address both the real dangers caused by dishonest and coercive activities and the equally damaging *perception* of fraud and conflicts of interest in an industry where the vast majority of firms are extremely sensitive to consumer confidence and reputational issues.

The Possible Policy Options

The Consultation Paper provides a number of possible policy options, including: the codification of the priority of the client's interest; restrictions on performance-linked benefits offered to intermediaries; and the enhancement of transparency of compensation, ownership and other financial interests.

Further, the Consultation Paper indicates that the above policies could be applied to only the intermediaries who hold themselves out as being independent; or all intermediaries, where possible.

Enhanced Transparency Through Meaningful Disclosures

Of the three policy options forwarded by the Consultation Paper, Primerica strongly urges the third approach – that the IPCR advocate the enhancement of transparency of compensation, ownership and other interests.

This is precisely the approach that Primerica has taken, both in its practices as a financial services firm, and through its membership in industry organizations such as the Canadian Life and Health Insurance Association (“CLHIA”), in earnestly working to develop best practices for disclosure on a Canada-wide basis.

The CLHIA's leadership in this area (for example its numerous policy initiatives, Reference Documents and Guidelines) is representative of the voluntary industry initiatives that have long guided best practices in the life insurance industry. The CLHIA's recent Five Point Disclosure Initiatives Package serves the consumer interest in transparency of important matters as insurer/agent relationships, product disclosure and agent compensation.

The Insurance Bureau of Canada and the Insurance Brokers Association of Ontario are similarly committed and engaged. The industry measures noted above will be a significant factor in mitigating the potential for conflict of interests.

What Action is Required and Suggestions for Policy Options

The IPRC has asked for stakeholder suggestions regarding the above (and proposed additional) policy options and has indicated that its review of stakeholder submissions will guide its recommendations to governments to determine what, if any, action is required.

Primerica respectfully submits that the Canadian life insurance industry is responding in a measured, informed and appropriate manner to the current issues of perceived and/or real conflicts of interests and consumer confidence. Significant voluntary industry initiatives (with the attendant “buy in”) are being taken with surprising (and comforting) unanimity and need to be afforded the appropriate amount of time for implementation and, crucially, full assessment. These initiatives, once fully implemented, will address potential risks to insurance market confidence and provide real protection to consumers.

Independent and Career Intermediaries – the Risk Distinction

Primerica appreciates the IPRC’s recognition that policies could be applied differentially to intermediaries who hold themselves out as being independent (by virtue of representing multiple insurers); or all intermediaries, where possible. We believe that this is an appropriate recognition of the different conflict or interest risks associated with independent versus career agents.

Primerica’s business model incorporates only exclusive agents. Therefore many of the consumer protection concerns that may arise when an intermediary holds him/herself out as being independent but who may still place him/herself in a conflict of interest or potential interest conflict of interest – simply do not exist. Enhanced disclosure, with respect to the exclusive nature of the relationship between the intermediary and the insurer, serves the consumer protection interest.

No Need to Restrict Performance Linked Compensation to Intermediaries

Enhanced disclosure measures, such as those in the CLHIA’s Five Point Disclosure Initiative Package, address the consumer interest with respect to monetary and non-monetary compensation for intermediaries. The Consultation Paper noted that non-monetary compensation is almost universal throughout the industry. There has been no empirical evidence of abuses related to compensation practices in the industry. It is standard industry practice (time-tested and cost effective) to reward performance through travel and other non-monetary compensation. Any restrictions on non-monetary performance linked compensation practices, beyond clear disclosure, would have a seriously negative impact on many business models in the industry and are not warranted.

Going Forward – IPRC Recommendations to Governments

Primerica believes that perceptions of improper behaviour, unless supported by facts and analysis, should not drive any reformatory agenda. We respectfully submit that the current voluntary industry initiatives are the most responsible and appropriate manner in which to proceed and must be afforded time for full implementation and assessment. Any new regulatory responses must not be driven by speculative discourse or, equally destructive to the Canadian insurance marketplace, a precipitous reaction to the inflamed U.S. consumer confidence environment.

We firmly believe that the above voluntary initiatives, once implemented, will promote efficiencies and cost savings while providing consistent protection to consumers and address the potential risks to insurance market confidence.

We at Primerica thank you for the opportunity to comment on the Consultation Paper. Please do not hesitate to contact myself at (905) 813-5345, or Ms. Hande Bilhan, Senior Vice President, Government Relations (905) 813-5343, if you have comments or questions.

Yours truly,

(original signed)

John A. Adams, Chief Executive Officer

cc: Hande Bilhan, Senior Vice-President