

Responses to Questions for Stakeholders

Policy Options

1. How do the policy options affect you (consumer, intermediary or insurer)? Do the policy options alter current intermediary relationships with insurers and consumers/clients respectively, and if so, how?

As a Mutual Insurance Company we place the interest of the consumer first. From our perspective there is no need to codify client priority.

2. How would the policy options affect the existing methods of insurance distribution?

Time is going to be spent by the broker to explain to the client that his priorities are being placed first. This will slow the sale process down and add expense. It will also distract from the primary goal of properly protecting the client's assets. Less time will be available to discuss what the client came for in the first place, that being security for their assets.

3. Are the policy options the best means of accomplishing the objectives identified in the consultation paper?

We assume that the existing environment currently works. Clients should be able to ask and get the information they feel is necessary to make an informed insurance purchase. The policy options recommended assume the industry is in need of more information dissemination to the general public. We don't believe that to be the case.

4. Have the policy options overlooked any other approaches or considerations? If so, please provide us with an outline of those approaches or considerations.

The policy options make the assumption that the public wants this type of information. The other supposition is that by implementing the options a better and more honest climate for the consumer will result.

5. As a consumer/client do you feel your interests will be better protected by some or all of the policy options? Which policy options do you believe would offer the most value in making your insurance purchasing decisions?

No. I choose a broker who I trust. How much they are compensated for their services is irrelevant to the protection of my assets. There is no "value" in the policy options, only more regulation which leads to more cost at both the point of sale and the cost to police the regulations.

6. Are there any regional issues or considerations such as different distribution channels that have not been adequately considered?

Any policy option should create a fair and competitive environment for the current method of distribution as well as any future distribution models that are created. For example what happens when insurance is purchased over the internet. As a consumer to whom do I direct my questions? If the answers can be obtained directly from the website then isn't that sufficient enough information for all company's to provide?

Scope and Applicability

7. This consultation paper proposes two potential approaches for determining the scope and applicability of the policy options. Do you have a suggested approach for determining the scope and applicability of the policy options?

The scope and applicability of the policy options should apply to all intermediaries.

8. Should some or all of the policy options apply only to intermediaries that hold themselves out as independent, or should they apply to all intermediaries?

The options should apply to all intermediaries. An agent for a direct writer earning a bonus commission for sales volumes has the same implied conflict of interest as an independent broker. If the best interests of the consumer is the primary concern for these policy changes then the policies must address EQUALLY all intermediaries.

9. Do you have any suggestions for describing or interpreting independence?

No need to describe or interpret independence if all intermediaries are treated the same. DO NOT CREATE AN UNLEVEL PLAYING FIELD. You will eliminate any benefit you may seek from your policy options by creating separate rules of disclosure based on independence.

10. Some intermediaries provide additional services to insurers or to consumers on behalf of insurers. Are there any services provided by intermediaries that may create conflicts of interest or potential conflicts of interest? If so, do you have any suggestions to address such conflicts?

Any service provided by the intermediary to the insurer should be disclosed to the client/consumer.

Performance-Linked Benefits Provided by Insurers to Intermediaries

11. Is the concept of performance-linked benefits sufficiently clear?

Clarity can be provided through a Company website or pamphlets detailing the benefits.

12. Should performance-linked benefits be regulated, and if so, how?

The amount of the performance linked benefits should be controlled so that the amount of the benefit does not become a determining factor in the insurance purchase an intermediary performs for a client.

13. Should the restrictions on performance-linked benefits be absolute or limited by introducing appropriate controls and qualifications (e.g. setting a maximum dollar amount)?

Restrictions should not be absolute. By imposing reasonable limits you can create an environment where the performance-linked incentives would not be a reason for an intermediary to place a client with a company for financial gain but rather to encourage the intermediary to participate in the underwriting process with the company.

14. In determining what constitutes a performance-linked benefit, should the relevant rules be principle-based or compliance-based?

Principle based rules should be adopted.

15. Some insurers offer services or assistance to intermediaries (e.g. office space). While these services or assistance may not be linked to a specific performance target, some may argue that they create a potential conflict of interest. Do you agree that regulatory measures need to be introduced to address this potential conflict of interest?

No.

Disclosure

16. The disclosure option provides for differing levels of detail, timing and methods of disclosure. As an intermediary or insurer, do you anticipate any difficulties in complying with this option? As a consumer/client does this option provide information on intermediary relationships with insurers that is meaningful and useful for an insurance purchase?

As an Insurer we can comply. As a consumer much of the information is irrelevant to the insurance purchase. How an intermediary is compensated has no bearing on whether I am provided with proper and adequate insurance coverage.

17. Is the scope of the disclosure option broad enough to provide consumers/clients with sufficient information to make informed purchase decisions? If not, what else should be included? Do you have any suggestions as to how this disclosure option could be structured so that it would be easier to understand?

The suggested disclosure options would provide enough information to the consumer/client.

18. As an intermediary or insurer, do you anticipate any difficulties disclosing the **quantum** of any commissions and service fees associated with the specific transaction, excluding any contingent commissions, expressed in dollars and as a percentage of the premium?

No.

19. Do consumers need to understand how an intermediary is paid for his/her services (e.g. contingent commissions and bonuses) and how much in financial terms the intermediary earns from the sale of a policy to a consumer? Is it relevant information for the consumer?

It is only relevant if it is information the consumer wants to know. If a consumer feels that the information is important then they should have access to the information, otherwise it has no bearing on the purchase of insurance protection.

Consultation Paper

20. Are there any innovative methods of satisfying disclosure requirements that you can provide that have not been considered in this consultation paper?

No.

21. Are there any alternatives to disclosure that regulators should consider?

Maintain the Status Quo.

L&H Insurance

22. Should all L&H products be subject to the same requirements or are there situations where exemptions should be permitted?

Not applicable to our company.

Regulatory Compliance

23. Are the policy options cost-effective and enforceable?

In order to determine if the options are cost effective the benefits would have to be quantified. We are not sure how you can quantify the value of the information provided to the consumer. Enforcing the options may be an expensive and difficult task.