

Monday, August 08, 2005

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

Dear Mr. Paglia:

Re: Response to Consultation Paper (the Paper) - Relationships between Insurers and Sales Intermediaries

We are pleased to provide our response to the Paper issued June 3, 2005. We, the undersigned, represent certain of the financial services subsidiaries of Member firms of the Investment Dealers Association of Canada. The dealers offer insurance products and services to their retail clients through financial services subsidiaries. Many of the securities registrants employed with the dealers are dually licensed; they also hold insurance licenses. The firms listed also participate on the Insurance Sub-Committee of the Investment Dealers Association's Retail Sales Committee.

General Comments

We support the Paper's overall direction – the development of controls to ensure a level playing field for intermediaries while protecting consumers and providing fairness, integrity and access to products in the insurance marketplace. However, we are concerned that the Paper's tone seems to indicate that insurance may soon be considered a commodity that is simply sold and bought. Instead, we believe that the sale of insurance is fundamentally linked to the advice provided. Even financially sophisticated individuals require the experience and advice of an insurance professional to select the appropriate product or combination of products in addressing their insurance and financial needs. While there maybe certain similarities, insurance should not be classified as simply an alternative investment product. Insurance products are primarily intended to provide protection, not investment, to the client. Our response reflects this view.

Responses to Questions for Stakeholders

We have determined that it is most productive to respond to the blocks of questions as they are grouped in the Paper, instead of providing an answer to each specific question.

Policy Options - Questions 1 Through 6

The policy options, as set out in the Paper are:

1. Codify the priority of the client's interest;
2. Restrict performance-linked benefits offered to intermediaries; and
3. Enhance transparency of compensation, ownership and other financial interests.

Essentially, we support all three policy options.

We believe that there should be codification of the priority of clients' interests. Currently, client priority is provided for in certain provinces. We would suggest that codification of client priority be nation wide. Performance-linked benefits offered to intermediaries should be restricted. By this we mean that the insurance industry should consider adopting a policy restricting such benefits. Any such policy adopted should be developed with industry input and should reflect the uniqueness of the insurance industry. Finally, increased transparency to consumers through disclosure documents could be achieved using either the disclosure document currently being developed by an industry stakeholder group or, as developed by each firm, using the stakeholder document as a basis.

Clearly, the implications of the policy options are more effectively discussed when considering potential changes set out more specifically than that in the Paper. We would be pleased to participate in those discussions and any consultation on specific changes that you intend to make.

Scope and Applicability of Policy Options to Intermediaries - Questions 7 Through 10

The Paper proposes two potential approaches for determining the scope and applicability of the policy options - all intermediaries or only those who hold themselves out as being independent. It is our belief that the policy options should apply to all insurance intermediaries, regardless as to whether they are considered independent or not. This will ensure a level playing field both for intermediaries and for consumers. It is not clear to us which policy option, should it apply only to independent intermediaries, would result in the consumer being better served.

Performance-Linked Benefits Provided by Insurers to Intermediaries - Questions 11 Through 15

A policy developed to restrict performance linked benefits should provide appropriate controls and qualifications and create a level of clarity and consistency for the industry. Further, any such policy developed should permit educational conferences for the insurance industry, As such, our response specifically relates to non-monetary sales incentives such as cruises, etc.

Disclosure - Questions 16 through 21

The possible disclosure requirements as set out in the Paper's Appendix 1 are extraordinarily broad and may, in fact, result in client confusion and not clarification. Instead, as noted previously in our response, and, as indicated on the Paper's page (iv), disclosure documentation should be developed with the P&C and L&H industry associations.

Currently, such an initiative is underway and should be considered as the standard for disclosure. The initiative is being led by CLHIA and includes all industry stakeholders. This solution is preferable as it reflects industry input and experience, while providing an appropriate level of understandable disclosure to clients.

L & H Insurance - Question 22

We do not foresee any situation where L&H products should be exempted from the requirements created, as contemplated by the Paper.

Regulatory Compliance - Question 23

It is difficult to determine without reviewing potential draft regulation whether or not the policy options will be cost effective and/or enforceable. Most additional regulation results in some additional costs. Specifically, to the greatest extent possible, all provincial legislation should reflect changes made consistently, so that any increased costs are minimized.

Thank you for the opportunity to comment on the Paper. We look forward to discussing these and other issues with you further. Please do not hesitate to contact us through John Hamilton, at (416) 955-5082 or john.hamilton@rbc.com

Sincerely,

BMO Nesbitt Burns Financial Services
Edward Jones
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Dundee Insurance Agency Ltd.
Assante Wealth Management
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