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SENT BY E-MAIL AND MAIL

May 19, 2004

Ms. Maria Policelli
Policy Manager
CCIR Secretariat
5160 Yonge Street, Box 85
17th Floor
Toronto, Ontario
M2N 6L9

Dear Ms. Policelli:

Re: Consultation Paper on Issues Related to Inducements, Rebating and Tied Selling prepared by the Canadian Council of Insurance Regulators (CCIR)

I would like to thank you for the opportunity to comment on issues outlined in the consultation paper entitled Issues Related to Inducement, Rebating and Tied Selling. I am pleased to be able to convey our thoughts on this initiative.

Before I provide our specific views, it may be helpful to provide some background on Advocis.

Background

Advocis is the largest professional membership association of financial advisors in Canada. As a voluntary organization, Advocis is committed to professionalism among financial advisors.

Our Association traces its origins to the founding of the Life Underwriters Association of Canada (LUAC) in 1906. Advocis continues an uninterrupted history of serving Canadian financial advisors, their clients and the nation for almost a century. The Association operates under the legal name of The Financial Advisors Association of Canada and carries on business as Advocis.

Our members are financial advisors licensed to sell life and health insurance, mutual funds and other securities. Advocis comprises 16,000 voluntary members, organized into 50 chapters. Advocis' members provide financial products and services to over 12 million Canadians. Our common goal is to assist individuals and families to achieve their financial security through the optimal application of individual and group financial products.

Overview of Issues

Before addressing your specific questions, we would like to offer our interpretation and views on inducements, rebates and tied selling.

Inducements/Rebates

While the rebating of premiums is financial in nature, and whereas inducements are generally non-financial, both involve the danger of tainting the fiduciary nature of the relationship between insurers and agents, on the one hand, and the consumer on the other. Both encompass the possibility of tempting the consumer to purchase products for reasons other than the value to the particular consumer of the product in question. For this reason, we believe that all insurance products should be treated the same way. That being said, however, we are of the view that rebates and inducements have different characteristics and should be considered separately.

(a) Rebates

Advocis is of the opinion that the reasons for the original implementation of restrictions on rebating, as described in the consultation paper, are as valid today as they were when first introduced, notwithstanding the contention of proponents for market conduct change "that the marketplace has evolved significantly". As a result, Advocis does not support any loosening of the restrictions on rebating.

At the same time, we would like to clarify that negotiations between licensed agents and insurers with respect to the amount of premium should not be considered rebating, and, therefore, should not be prohibited, providing the client is not involved in the discussion.

(b) Inducements

As stated, inducements, as opposed to rebates, are generally non-financial in nature. However, regardless of the value of an inducement, Advocis strongly opposes permitting inducements that are "tied" to the purchase of a product, for the same reasons that we oppose rebates.

We have no objection to an inducement offered for obtaining a quote, as opposed to being offered for purchasing a product. We also have no objection to "gifts" to existing clients that are not given in the context of a product purchase.

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Tied Selling and Bundling of Financial Products

Advocis supports the proposition that the bundling of financial service products should not be considered tied selling providing there is no requirement for a consumer to purchase an unwanted product. This should be made clear to the consumer at the time. Regulators should, however, keep in mind that the "requirement" to purchase an unwanted product is difficult to determine. Real or perceived pressure to purchase an unwanted product may be felt by a client, especially if the consumer is already indebted to the provider of financial services.

Summary of Responses

In summary, our responses to the specific questions posed in the consultation paper are as follows:

1. Should rebating of premium provisions and inducement provisions be considered together or separately?

   Rebates and inducements have different characteristics and should be considered separately.

2. If rebates or inducements are allowed, should there be any restrictions on their use or value?

   Current restrictions on rebating and inducements should continue to apply. Rebates should not be allowed. Inducements to obtain a quote are acceptable. Inducements to purchase a product are not acceptable. Inducements to existing clients (gifts) unconnected to the purchase of a product are acceptable.

3. What is the impact of the suggested changes on existing methods of distribution of insurance?

   The suggested changes will have no impact on the existing methods of distribution of insurance.

4. Should all insurance products be treated the same? Life? P&C? A&S? Other?

   All insurance products should be treated the same.

5. Should an inducement be restricted to a quote or request for information, but prohibited when "tied" to a purchase?

   Inducements to obtain a quote are acceptable, but inducements to purchase a product are not acceptable.

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6. Should there be any differentiation between an insurer and an agent/broker offering a rebate or inducement?

   There should be no differentiation between an insurer and an agent/broker offering a rebate or an inducement.

7. Are there any regional or local issues that need to be addressed?

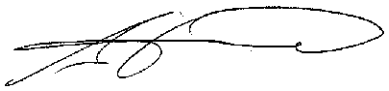
   Rebating is allowed in Alberta. Alberta is hoping for harmonization, i.e. that rebating be allowed in other provinces.

8. Are there any options or implications concerning the elimination of the prohibition on rebates and inducements that are not discussed above?

   Bundling should not be considered to be tied selling as long as the consumer is not required to purchase unwanted products.

On behalf of Advocis and its 16,000 members, I wish to again thank you for extending this opportunity to present our comments and recommendations.

Yours truly,



Advocis™ and CLU™ are trade-marks of The Financial Advisors Association of Canada.



Mr Jim Scalena
Chair, Streamlining and Harmonization Committee
Working Group on Market Conduct Issues
Canadian Council of Insurance Regulators
c/o Maria Policelli
Policy Manager
CCIR Secretariat
5160 Yonge Street, Box 85
Toronto, Ontario
M2N 6L9

May 18, 2004

Re: CCIR Consultation: Issues Related to Inducements, Rebating and Tied Selling

Dear Mr Scalena,

CADRI is pleased to be able to offer comments on the CCIR consultation document entitled Issues Related to Inducements, Rebating and Tied Selling. CADRI represents Canadian insurance companies that use call centers, the Internet and other "direct response" methods to distribute property and casualty insurance products directly to the Canadian public. Direct response is the fastest growing sales channel in the Canadian market today, with an estimated 20% market share. CADRI members are at the forefront in the application of technology to the insurance sales process, which benefits consumers through faster and more convenient service.

CADRI members believe it is appropriate to remove certain marketing prohibitions in regulation. In the last several years the regulatory environment in the area of consumer protection has been enhanced. At the federal level, there is the Financial Consumer Agency of Canada (FCAC) whose mandate is to oversee federal financial institutions' compliance with consumer provisions of federal law. The FCAC ensures compliance with codes of conduct and deals with consumer education. Financial institutions also have the Financial Services Ombudsnetwork (FSON), which provides a national system for the handling of complaints through the CLHIO (life insurance) GIO (general insurance), and OBSI (banking and investments). This is in addition to provincial complaint handling regimes.

For ease of reference, our comments will follow the order of questions asked in the consultation document.

Inducements/Rebates

With respect to the first issue, CADRI strongly supports the industry proposal to remove prohibitions on rebating and inducements. As direct writers, CADRI members are more likely than traditional insurance companies to be creative with marketing initiatives and provide a competitive challenge to traditional distribution methods. Discounts and incentives for

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transactions completed on the Internet have already been approved in several provinces for P & C insurance. Such initiatives are done in the interests of both the insurer and consumer.

CADRI believes that the issues of rebating and inducements can be treated together as a removal of a ban on both is acceptable to CADRI. We see no need for any restrictions on the use or value of incentives as it will be very difficult for regulators to determine what is a suitable incentive level for any given product line. The use of incentives will have no particular impact on current distribution methods other than to permit more creativity in the marketing process. We believe that consumers are familiar enough with marketing incentives in order to make appropriate purchasing decisions, and believe that consumers should be given the opportunity to receive a benefit from having companies compete based on price and promotions for their business. CADRI members are in the P&C business but we do not foresee any reason why the use of incentives should differ for A&S and life insurance. In past, the use of incentives has been permitted for encouraging customers to seek a quote or request information. CADRI feels that the use of incentives should also be permitted for customers who purchase a product. There does not need to be differentiation between an insurer or an agent/broker offering an incentive, nor do we see any regional or local issues to be addressed.

Tied Selling

CADRI supports the industry proposal that the bundling of financial service products should not be considered tied selling provided it does not require the consumer to purchase unwanted products. We would like to refer the CCIR to Section 459.1 of The Bank Act which prohibits coercive tied selling of all products but recognizes bundling by noting that it would be acceptable for an institution to offer more favourable terms to a person than it would otherwise offer, if another product is purchased from the institution or one of its affiliates. We would caution, however, that certain products are often only available in combination with other products. For example, a policy on a jewelry item may only be available if a person also insures his or her residence with the insurer, as it may not be justified on a standalone basis. We would like to ensure that any phrasing of a coercive tied selling restriction does not impede an insurer's ability to prudently manage its risk and pricing policies.

We commend the CCIR on its goal of achieving streamlined and harmonized regulation in these matters. If you would like to discuss this response in more detail, please contact the undersigned.

Yours truly,

David Lincoln
President

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Canadian Association of CAFII Financial Institutions in Insurance

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Mr Jim Scalena,
Chair, Working Group on Market Conduct and Other Issues,
Canadian Council of Insurance Regulators
c/o Maria Policelli
Policy Manager
CCIR Secretariat
5160 Yonge Street, Box 85
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Toronto, Ontario
M2N 6L9

May 19, 2004

Dear Mr Scalena,

CAFII is very pleased to respond to the consultation paper entitled "Issues Related to Inducements, Rebating and Tied Selling". CAFII will comment on the industry proposals in the order presented in the consultation paper.

Rebating and Inducements

Industry Proposal – Legislative prohibitions on rebating and inducements should be removed so that the market forces are allowed to operate more freely.

CAFII supports the industry option to remove prohibitions on rebating and inducements. We see no need to adopt the other options set out in the consultation paper. CAFII prefers an open and competitive marketplace with regulatory streamlining wherever possible to help manage costs of compliance. CAFII believes that the removal of the prohibition on rebating will lead to an increased amount of promotional activity geared to rewarding customers for making a very important financial decision to protect themselves, their family and their possessions. Enhanced promotional activity would increase the overall awareness of insurance products and benefits and would thereby move the industry and consumers in a positive direction.

CAFII believes that recent consumer protection initiatives make specific prohibitions redundant. The new Center for Financial Services Ombuds Network (CFSON) provides a national system for complaint handling and the Financial Consumer Agency of Canada (FCAC) ensures that federal financial institutions comply with consumer protection provisions of legislation, ensures institutions adhere to codes of conduct and provide consumer education. Institutions also provide clients with the 30-day "free look" for most products.

Permitting promotional activities will enhance competition and provide incentives and benefits to consumers. We believe that both consumers and industry will benefit by allowing

more creativity in the marketing role. Companies should not be restricted in their ability to offer beneficial promotions that encourage and reward consumers for considering and purchasing insurance products.

Should rebating and inducements be considered separately?

CAFII believes that the issue of rebating and inducements can be considered together. CAFII supports the removal of the ban on rebating, but should it remain, companies should not be prevented by prohibitions on rebating from offering insurance at different costs through different distribution channels.

If rebates and inducements are allowed, should there be any restriction on their use and value?

CAFII believes that restrictions on inducements and rebates are not necessary. It will be very difficult to determine and monitor what would be appropriate marketing incentives for different insurance products.

What is the impact of the suggested change on existing methods of distribution of insurance?

A prohibition on rebating of premiums has been used by the industry to help prevent fraud on the part of life agents who would rebate premium then collect the full commission for the sale of a product, which may be subsequently discontinued or lapsed. CAFII believes that the industry will find other means to monitor and control this activity. We would like to point out that Alberta has allowed rebating
for a number of years now, and no company has reported an increase in fraud
or problems associated with the practice.

Should all insurance products be treated the same? Life? P&C? A&S? Other?

For simplicity and reduction in regulatory burden, CAFII recommends that a general removal of a ban on rebating and inducements is appropriate.

Should an inducement be restricted to a quote or request for information but prohibited when "tied" to a purchase?

CAFII supports allowing inducements to encourage customers to seek quotes but we do not support limiting inducements to this situation only. Promotional activities provide a way for companies to compete and differentiate themselves in the market. Consumers will benefit from enjoying the added value of having companies and brokers compete vigorously for their business. Consumers are very accustomed to promotional activity such as collecting points on loyalty programs for purchases. This market activity is well understood and accepted by consumers and there is no real reason to exclude insurance purchases. If the promotion of points with the purchase of, for example, travel insurance encourages or reminds consumers to protect themselves while traveling, then such activity is a real benefit to consumers..

Should there be any differentiation between an insurer and an agent/broker offering a rebate or inducement?

CAFII sees no need for any differentiation.

Are there any regional or local issues that need to be addressed?

CAFII does not see any regional or local issue.

Are there any options or implications concerning the elimination of the prohibition on rebates and inducements that are not discussed above?

CAFII believes the issue has been adequately addressed.

Tied Selling and Bundling

Industry Proposal – Bundling of financial service products should not be considered tied selling, provided it does not require the consumer to purchase unwanted products.

CAFII supports the industry proposal. CAFII agrees that coercive tied selling should be prohibited as consumers should never be forced into buying financial products or requiring the purchase of one product in order to obtain another one. However, offering an optional bundle of products to consumers allows companies to pass on administrative cost savings resulting in a better price and greater convenience for the consumer. CAFII cautions however, that certain types of protection are only offered in combination. CAFII members may define their product as the combination of protections such as job loss and disability coverage on creditor insurance. The offering of combined coverages should not be construed as a bundle or tied selling, but a necessary risk mitigation requirement.

CAFII appreciates being invited to participate in this important consultation. We encourage the CCIR in its efforts to both revise and harmonize the rules relating to rebating and tied selling. If you have any questions or comments on this submission, please contact the undersigned.

Yours truly,



Oscar Zimmerman
President

Canadian Association of
Mutual Insurance Companies
311 McArthur Avenue, suite 205
Ottawa, Ontario
K1L 6P1

Association canadienne des
compagnies d'assurance mutuelles
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K1L 6P1

May 21, 2004

Ms. Maria Policelli
Policy Manager
CCIR Secretariat
5160 Yonge Street, Box 85
17th Floor
Toronto ON M2N 6L9

Re: Inducements, rebating and tied selling

Thank you for the opportunity to comment on a number of market conduct issues being considered by the Canadian Council of Insurance Regulators, namely issues related to inducements, rebating and tied selling.

The Canadian Association of Mutual Insurance Companies (CAMIC) is of the view that rebating and inducements related to property & casualty insurance products should be considered separately.

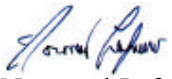
The Association considers inducements as a genuine marketing tool. Consequently, we would favour relaxing the prohibition related to inducements intended at encouraging consumers to request a quote or learn more about a product; however, the inducement must not be tied to the purchase of any insurance product.

CAMIC is against any proposal directed at changing the provisions related to the rebating of premium. However, the Association does not oppose changing the rules to allow the give-away, or the sale at a discount price, of risk management tools (smoke alarms, anti-theft devices, etc.), following the purchase of an insurance product as long as these risk management tools have proven reducing the losses covered by the insurance product purchased.

…/2

CAMIC recognizes that the bundling of insurance products would be cost effective. Consistent with our objective to promote a strong and competitive insurance market, we favour allowing the bundling of property & casualty insurance products, but we oppose the bundling of property & casualty insurance products with other financial services. The bundling of property & casualty insurance products should be allowed provided consumers have the ability to purchase the property & casualty insurance products separately. We concur with the statement that this might allow insurers to generate savings that could be passed on to consumers.

Regards,



Normand Lafrenière
President
NL/fd

The Canadian Association of Mutual Insurance Companies (CAMIC) is a national trade association for property and casualty mutual insurers in Canada. It provides information, research, advocacy to its members and negotiates supply agreements. The Association promotes a strong, healthy and competitive insurance market and supports regulatory efficiency and legislative changes which are in the interest of all policyholders. The present membership of CAMIC includes 96 mutual insurers from coast to coast. In 2003, our member companies had approximately 4 million policyholders; employed in excess of 10,000 managers, employees and agents and underwrote $4.1 billion in premiums (11.7% of the Canadian market).

Mutual insurance companies are owned by their policyholders and most of them operate under the one member, one vote principle. The policyholders elect the board of directors of their company. Mutual insurers are renowned for their strong balance sheet and their community involvement. Most Canadian mutual insurers are based in small communities.

Canadian Life
and Health Insurance
Association Inc.

Association canadienne
des compagnies d'assurances
de personnes inc.

110 Years
1894–2004
Working Together

May 21, 2004

Ms. Maria Policelli
Policy Manager
CCIR Secretariat
5160 Yonge Street, 17th Floor, Box 85
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Dear Ms. Policelli:

I am writing on behalf of member companies of the Canadian Life and Health Insurance Association (CLHIA) regarding the Canadian Council of Insurance Regulators (CCIR) consultation paper entitled "Issues Related to Inducements, Rebating and Tied Selling."

The CLHIA, founded in 1894, is a voluntary association with member companies accounting for some 98 per cent of the life and health insurance in force in Canada. The Canadian life and health insurance industry protects about 23 million Canadians and almost 19 million people elsewhere in the world. Within Canada, it makes $42 billion a year in benefit payments, invests almost $280 billion and provides employment directly to about 119,000 Canadians.

The proposals in the CCIR consultation paper have been reviewed by the CLHIA Committee on Distribution and Intermediaries and other member company experts. The comments in this letter reflect this input.

At the outset, it should be noted that we commend CCIR for its ongoing efforts to identify regulatory requirements across the country that can be streamlined or harmonized. The current consultation on these specific issues is a welcome continuation of the work that has already been done to advance these important objectives.

Inducements/Rebates

While the CCIR paper identifies an "industry" proposal to remove the prohibitions on rebating and inducements, the option that appears to be closest to the position of CLHIA member companies is "continue to prohibit rebating but relax prohibition related to inducements."

With respect to the specific questions set out in the consultation paper, we believe that rebating and promotional inducements should be considered separately and that rebating should not be permitted. Providing inducements as a promotional activity is acceptable but a materiality test for limiting the value of the inducement would be appropriate. As well as being of token value, the inducement should not be contingent on the actual sale of the product. Instead, the inducement should be available to anyone who makes an inquiry, asks for a quote or does something else of a similar nature.

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Canadian Life
and Health Insurance
Association Inc.

Association canadienne
des compagnies d'assurances
de personnes inc.

The most significant effect arising from the elimination of the prohibition on rebating of insurance premiums is likely to lie with consumers. It is important to keep in mind that most life insurance products are purchased for the long-term. The risk is that a consumer will purchase a policy with a low initial premium that they cannot afford over the long-term. Purchase decisions about life insurance should be based on what the customer needs and can afford. These decisions should not be influenced by illusory or short-term savings.

If rebating or inducements was permitted, the effect on distribution would depend on the frequency of the practice and the dollar amounts involved. There is at least a theoretical risk that smaller, independent agents could be disadvantaged under certain circumstances.

There does not appear to be any reason for differentiating among various life insurance products. We cannot comment on the merits of the prohibition for P&C insurance so cannot comment on whether life and general insurance should be treated the same.

We are not aware of any local or regional issues nor any other issues related to this matter.

Tied Selling

We support the position set out in the CCIR paper that "bundling … not be considered tied selling, provided it does not require the consumer to purchase unwanted products."

It is important to distinguish coercive tied selling, i.e., a situation in which a consumer is not able to purchase something he or she wants without purchasing something else, from situations where a company can achieve economies that are passed along to a consumer by bundling products. In the latter case, the consumer is still able to buy the products separately but can realize a savings if they are bought as a package.

On behalf of our member companies, I would like to thank CCIR for the opportunity to comment on these matters. I would be happy to expand on these comments or provide additional clarification if it is required.

Sincerely,



Peter B. Goldthorpe
Director, Marketplace Regulation Issues

INSURANCE BROKERS ASSOCIATION OF CANADA
ASSOCIATION DES COURTIERS D'ASSURANCES DU CANADA

May 21, 2004

Ms. Maria Policelli
Policy Manager
CCIR Secretariat
5160 Yonge Street, Box 85, 17th Floor
North York, Ontario
M2N 6L9

Dear Ms. Policelli,

The Insurance Brokers Association of Canada (IBAC) is pleased to provide comments on the Canadian Council of Insurance Regulators' (CCIR) consultation paper entitled "Issues Related to Inducements, Rebating and Tied Selling."

Our specific comments can be found under the headings corresponding to those in the consultation document. In general terms, however, IBAC believes that the existing rules in each of the areas being examined work well, and that the changes proposed in this document should not be considered at this time. Moreover, we would strongly disagree with the use of any practice that could influence a consumer to purchase an insurance product based on anything except the attributes of the product itself, including the value of the services of the broker.

Inducements / Rebates

Industry Proposal

Some industry stakeholders have suggested that legislative prohibitions on rebating and inducements should be removed so that the market forces are allowed to operate more freely.

IBAC Position

IBAC disagrees with this Industry Proposal. We believe that these legislative prohibitions should be maintained as they are in the interest of consumers and insurance brokerages.

Specifically, we believe that such practices would harm the consumer interest by encouraging purchasing decisions based on the offer of the inducement or rebate, rather than on the attributes of the product, including the value of the services of the broker.

We are also concerned that rebating and incentives would create a race to the bottom that would guarantee that only those with the deepest pockets would win. This could lead to solvency problems for small insurance brokerage firms that try to match the rebates and incentives offered by larger ones.

Many small and medium-sized firms, which constitute the lion's share of insurance brokerages across the country, would have difficulty surviving in a market that encourages such practices, rebating in particular.

Allowing inducements and rebating would also eventually lead to diminished competition and choice for consumers. Without competition and choice, service to the public will decrease and prices will rise.

Other Possible Options

The CCIR also invited comment on the following options:

Do not prohibit incentives that are meant to encourage consumers to request a quote or learn more about a product.

Continue to prohibit rebating but relax prohibition related to inducements.

Relax prohibition for rebating and inducements by establishing the maximum value of the incentive.

Eliminate the prohibition against inducements but establish a requirement for disclosure of the net value of the incentive and its impact on premium.

Permit incentives that are considered risk management tools, such as smoke alarms, anti-theft devices etc.

IBAC Position

IBAC does not support any of these options for the reasons identified above.

Considerations

The CCIR also invited comment on the following questions/considerations:

- *Should rebating of premium provisions and inducement provisions be considered together or separately?*

IBAC Position: We believe they should be considered together.

- *If rebates or inducements are allowed, should there be any restriction on their use or value?*

IBAC Position: As indicated above, IBAC does not support the use of rebates or incentives.

- *What is the impact of the suggested changes on existing methods of distribution of insurance?*

IBAC Position: We believe that the practice of rebating and inducements could have a negative effect on distribution of P&C insurance. See our comments under "Industry Proposal."

- *Should all insurance products be treated the same? Life? P&C? A&S? Other?*

IBAC Position: We believe that insurance products should be treated separately because of the great differences between risk-management (i.e. P&C insurance) and wealth management products. Moreover, the commission and remuneration structures associated with different types of insurance vary too much to allow universal rules for all insurance products.

- *Should an inducement be restricted to a quote or request for information but prohibited when "tied" to a purchase?*

IBAC Position: As indicated above, IBAC does not support the use of incentives. If allowed, however, we would support the above statement.

- *Should there be any differentiation between an insurer and an agent/broker offering a rebate or inducement?*

***IBAC Position*:** No.

- *Are there any regional or local issues that need to be addressed?*

IBAC Position: No.

- *Are there any options or implications concerning the elimination of the prohibition on rebates and inducements that are not discussed above?*

IBAC Position: No.

Tied Selling and Bundling of Financial Products

Industry Proposal

The recommendation of an industry stakeholder group is that bundling of financial service products should not be considered tied selling, provided it does not require the consumer to purchase unwanted products.

IBAC Position

IBAC does not support the bundling of P&C products with any other financial product or service.

IBAC once again thanks the CCIR for the opportunity to present its views on this important matter.

Please do not hesitate to contact Francesca Iacurto, our Director of Public Affairs, if you have any questions, or would like to further discuss any matters raised herein. She can be reached by telephone at (613) 786-9937, or by e-mail at fiacurto@ibac.ca.

Sincerely yours,



Ken Orr
President

c.c. Executive Committee
Board of Directors
Member Associations

INSURANCE BUREAU OF CANADA / BUREAU D'ASSURANCE DU CANADA

August 6th, 2004

Ms. Maria Policelli
Policy Manager
CCIR Secretariat
5160 Yonge Street, Box 85,
17th Floor
Toronto, Ontario M2N 6L9

Re: CCIR Discussion Paper on Issues related to Inducements, Rebating and Tied Selling

Dear Maria,

I am writing to inform you of recent developments with respect to the industry's position on Inducements and Rebating. In particular, in light of the rapid advancement of the Risk-Based Regulation file and progress in IBC's own efforts towards a Co-ordinated Framework for Automobile Insurance, the industry position on rebating as stated on page 3 of the IBC's May 21st, 2004 submission to CCIR is currently under review.

We appreciate the opportunity to keep CCIR and its affiliates up to date with current developments.

Sincerely,



Jane Voll
Vice President Policy Development & Chief Economist
Insurance Bureau of Canada

May 21st, 2004

Ms. Maria Policelli
Policy Manager
CCIR Secretariat
5160 Yonge Street, Box 85,
17th Floor
Toronto, Ontario M2N 6L9

Re: CCIR Discussion Paper on Issues related to Inducements, Rebating and Tied Selling

Dear Maria,

I am writing to you in response to CCIR's recent Discussion Paper on Inducements, Rebating and Tied Selling. We have had an opportunity to review the proposed options, and agree with CCIR that legislation governing the practice of inducements, rebating and tied selling should be reviewed. In general, IBC is supportive of initiatives to remove obstacles that impede competition and innovation in the industry as well as harmonize regulation across jurisdictions, as long as there is adequate protection for consumers. IBC is aware that there are consumer protection mechanisms in place through organizations such as Financial Consumer Agency of Canada and provincial regulators to ensure consumers' rights are upheld. We believe that the P&C industry is distinct, compared to other industries in Canada's financial services sector and that regulatory and other public policy initiatives should reflect this fact.

Unfortunately, not all areas of the Discussion Paper relate directly to P&C. However, please find attached IBC's response to the applicable options presented by CCIR. In the future, IBC would welcome the opportunity to provide further proposed changes that are considered on this topic. If we receive any further feedback from our member companies, we will forward it to you.

Sincerely,



Jane Voll
Vice President Policy Development & Chief Economist
Insurance Bureau of Canada

Attachment:

Issue:

It has been suggested that the marketplace has evolved significantly since the existing laws were enacted and that there should be a review to determine if changes are required to enhance competition and provide benefits to the consumer. CCIR recently produced a Discussion Paper on issues related to inducements, rebating and tied selling, and would like industry input on proposed changes to the legislation governing: inducements/rebating; tied selling and the bundling of financial products; and, disclosure requirements when replacing life insurance. An inducement is the offer of a thing of value as an incentive to purchase an insurance product. A rebate of premiums (rebating) is a specific type of inducement, which allows certain consumers to receive reduced premiums, that the insurer or agent or broker has not offered to other consumers. These practices have been characterized as potentially unfair or deceptive and as a result legislative restrictions are currently in place.

IBC Position:

Restoring balance to insurance regulation is a priority for IBC. IBC goals on this area include promoting:

- Modern market conduct supervision
- Efficient, effective solvency supervision
- Supervisory integration

The Principles and objectives guiding IBC activities on this area are found in the document *Restoring Balance (2001)*. As it encourages reform, including the response to the CCIR Discussion Paper on *Issues Related to Inducements, Rebating and Tied Selling*, IBC is guided by the following principles:

1) **Need for government regulation**
   Appropriate government regulation reduces the risk of company insolvency and enhances public confidence in the financial system.
2) **Balance**
   Efficient and effective regulation provides appropriate balance between intrusive government regulation and strict reliance on market forces.
3) **Co-operation**
   Insurers and regulators both have a valuable role to play in the policy analysis and decision-making process.
4) **Harmonized approach**
   There are significant benefits to consumers when regulators harmonize initiatives across jurisdictions, particularly among major trading nations, and secondarily within them (federal, provincial and territorial levels of government).
5) **Pragmatic solutions**
   Regulators and insurers should focus on pragmatic solutions to regulatory concerns, rather than dwelling on philosophical differences.
6) **Cost**
   Cost will continue to be an important determinant in evaluating the efficiency and effectiveness of the regulatory system, but not the only factor considered. Also, the damages of direct and indirect regulatory costs must be recognized.
7) **Control**
   The conduct and management of any insurance company remains the sole responsibility of its senior management and Board of Directors.
8) **Inherent limits to solvency monitoring**
   While active solvency monitoring can reduce the risk of failure, some companies may still fail because of unforeseen circumstances.

9) **Disclosure of information**
Disclosure is a powerful and cost-effective regulatory tool that strengthens industry discipline and instills public confidence.

10) **Tangible measures**
Objective measures of regulatory effectiveness can enhance public confidence in the system and demonstrate good value to insurance consumers.

IBC Response:

Through its Discussion Paper on *Issues Related to Inducements, Rebating and Tied Selling,* CCIR seeks industry opinion regarding the following options. IBC comments are noted in italics below.

INDUCEMENTS/REBATES*:*

****

Q) CCIR Proposals:

Option*:*

- Legislative prohibitions on rebating and inducements should be removed so that the market forces are allowed to operate more freely.

Other Possible Options*:*

- Do not prohibit incentives that are meant to encourage consumers to request a quote or learn more about a product.
- Continue to prohibit rebating but relax prohibition related to inducements.
- Relax prohibition for rebating and inducements by establishing the maximum value of the incentive.
- Eliminate the prohibition against inducements but establish a requirement for disclosure of the net value of the incentive and its impact on premium.
- Permit incentives that are considered risk management tools, such as smoke alarms, anti-theft devices etc.

Considerations*:*

- Should rebating of premium provisions and inducement provisions be considered together or separately?
- If rebates or inducements are allowed, should there be any restriction on their use or value?

A) IBC Response to above proposals:

IBC is supportive of initiatives to remove obstacles that impede competition and innovation in the industry as well as harmonize regulation across jurisdictions, as long as there is adequate protection for consumers. IBC is aware that there are consumer protection mechanisms in place through organizations such as Financial Consumer Agency of Canada and provincial regulators to ensure consumers' rights are upheld. IBC recommends that prohibitions on rebating and inducements should be removed since promotional activities as such are and should be a fact of life in the industry; in fact "a repeal of this legislation will lead to lower insurance costs to consumers".

****

Q) CCIR Proposal:

- What is the impact of the suggested changes on existing methods of distribution of insurance?

A) IBC Response to above proposal:

Per above, IBC supports the removal of obstacles that impede competition. IBC does not feel that a repeal of prohibitions on inducements, rebating and tied selling will have an impact on the methods of distribution of insurance.



****

Q) CCIR Proposal:

- Should all insurance products be treated the same? Life? P&C? A&S? Other?

A) IBC Response to above proposal:

IBC believes that the P&C Industry is distinct, compared to other industries in Canada's financial services sector and that regulatory and other policy initiatives should reflect this fact.

****

Q) CCIR Proposals:

- Should an inducement be restricted to a quote or request for information but prohibited when "tied" to a purchase?
- Should there be any differentiation between an insurer and an agent/broker offering a rebate or inducement?

A) IBC Response to above proposals:

Per above, IBC supports the removal of obstacles that impede competition.

****

Q) CCIR Proposal:

- Are there any regional or local issues that need to be addressed?

A) IBC Response to above proposal:

No comment is available at this time.

****

Q) CCIR Proposal:

- Are there any options or implications concerning the elimination of the prohibition on rebates and inducements that are not discussed above?

A) IBC Response to above proposal:

Per above, IBC supports the removal of obstacles that impede competition.

****

TIED SELLING AND BUNDLING OF FINANCIAL PRODUCTS*:*

****

Q) CCIR Proposals:

Option*:*

- Bundling of financial service products should not be considered tied selling, provided it does not require the consumer to purchase unwanted products.

Considerations*:*

- Are there any other risks or inequities not considered with respect to bundling of financial products?

A) IBC Response to above proposals:

Per above, IBC supports the removal of obstacles that impede competition.

****

May 21, 2004

Ms. Maria Policelli
Policy Manager
CCIR Secretariat
5160 Yonge Street, Box 85
17th Floor
Toronto, Ontario M2N 6L9

Dear Ms. Policelli,

Re: Issues Related to Inducements, Rebating and Tied Selling

We are writing to provide the comments of our Association regarding the proposals set forth in your Consultation Paper, entitled "Issues Related to Inducements, Rebating and Tied Selling".

Inducements/Rebates

We understand from your Paper that certain stakeholders have suggested that legislative prohibitions on rebating and inducements should be removed so that the market forces are allowed to operate more freely. You have asked our views on this contentious issue.

IFB, on behalf of our members, is opposed to the practice of rebating. In the case of inducements however, while we do not favour them as such, we realize that they may be introduced in such a way as to be beneficial to consumers, and that the current situation regarding inducements has been difficult to regulate.

We remain concerned that the introduction of rebating premiums could encourage some in the business to induce clients to replace their existing insurance on the promise of a "cash back" offer. We are also worried that eliminating such a prohibition might open the door to abuse, misunderstandings, customer complaints and fraud.

As we advised in our response to the British Columbia Ministry of Finance in 2003 relative to its considerations in amending its Financial Institutions Act:

> Eliminating the prohibition on rebating premiums is a curious way of encouraging competitive pricing of insurance. Surely an attempt to encourage competition in pricing should focus on the price charged to the consumer, rather than a 'hand-back' of a premium, which by its very nature suggests an impropriety. By encouraging the customer to focus on a rebate, the more important aspects of choosing an insurance policy could be obscured.
>
> The life insurance market currently is a very competitive one. Life products are provided in many different ways: independent brokers, captive agents, direct writers, etc. Independent brokers are the only ones who offer the consumer the benefit of being able to purchase competing products from a wide range of companies, along with an objective analysis of the pricing and terms of such products.

Tied Selling and Bundling of Financial Products

In your Paper, you advise that certain stakeholders have recommended that bundling of financial service products should not be considered tied selling, provided it does not require the consumer to purchase unwanted products.

'Tied-selling' is an important issue to IFB. Members and other intermediaries often complain to us that their clients are under pressure to buy products through coercive tied-selling.

IFB believes that coercive tied-selling most often is found on the lending side, so we suggest that 'bundling' should not be allowed where there is a lending transaction 'bundled' with an investment transaction. Another approach is to allow it only where the availability of both parts of the transaction are available to the consumer outside of the 'bundle' – although perhaps at a greater price.

Further, from a consumer protection point of view, "bundling" and "preferential pricing" can also be used to intentionally mislead the consumer by taking advantage of the customer's ignorance of rates and terms in one product when the customer is buying another product that he/she may be more knowledgeable about.

In our response of 2003 we quoted one national bank's version of preferential pricing as follows:

> After approving your application for a home mortgage from the bank, your bank's mortgage specialist tells you that your mortgage would be available at a lower interest rate if you transferred your investments to the bank or its affiliate.

As we stated in that letter, in reality, customers are not aware that the 'lower interest rate' is readily available to all bank customers who know enough to ask for it, and that they would receive it without the necessity of transferring other business to the bank. This is a

misleading practice that takes advantage of customer ignorance. Mandatory disclosure of pricing practices may help in such situations.

The B.C. government has also recently dealt with the issue of tied-selling in Bill 39, which amended that province's Financial Institutions Act. The Bill clarifies the tied-selling provision to focus on coercive tied-selling. Provision [94] reads as follows:

> A financial institution or person acting in a transaction with the approval of a financial institution must not place undue pressure on, or coerce a person to obtain a product or service from another person, including the financial institution, its subsidiaries, affiliates or agents, as a condition of obtaining another product or service from the financial institution.

Considerations

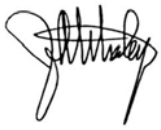
As a matter of reference, we will comment on the specified considerations in the same order as laid out in the consultation paper.

We feel that rebating of premium provisions and inducement provisions should be considered together. And, if rebates or inducements are allowed, there should be restrictions on both their use and value. We also feel that an inducement should be restricted to a quote or request for information but prohibited when "tied" to a purchase. Further, we don't believe that there should be any differentiation between an insurer and an agent/broker offering a rebate or inducement.

We are not aware of any local issues related to this matter.

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 at the address shown previously, phone at (888) 654-3333, fax (888) 424-2359 or by Email at jaw@ifbc.ca.

Sincerely,



John Whaley
Executive Director

ONTARIO MUTUAL INSURANCE ASSOCIATION
1305 Bishop Street North, P.O. Box 3187, Cambridge, Ontario N3H 4S6
Tel: (519) 622-9220 Fax: (519) 622-9227 Internet: http://www.omia.com

May 26, 2004

Ms. Maria Policelli,
Policy Manager, CCIR Secretariat,
5160 Yonge St., Box 85
17th Floor,
Toronto, Ontario.
M2N 6L9

Re:Issues Relating to:
a. Inducements and Rebating
b. Tied Selling and Bundling of Financial Products

Dear Ms. Policelli:

Thank you for the invitation to provide input.

The Ontario Mutual Insurance Association (OMIA) is comprised of 46 "purely mutual" insurance companies. All operate strictly within Ontario. All policies of these companies are participating policies. Each policyholder is entitled to a vote. The companies are guided by boards of directors of policyholders. Typically, the directors are farmers or business operators from the community in which the mutual insurer operates. All but one of these companies is over 100 years old.

Our members underwrite most lines of property and casualty insurance. In 2003 the farm mutuals collectively wrote $421 million of direct written premium placing us in the top 15 in Ontario's property-casualty insurance marketplace.

Inducements, Rebating and Tied Selling

First, we generally want to emphasize that ***any changes that are made to the regulation should not only be in the direction of consumer protection but also in the direction of protecting all players within the industry against deterioration of the industry's image.*** Improper use of rebating, inducements or tied selling by any players within our industry can reflect poorly on the whole industry**.** Fiduciary products like insurance, by nature, tend to be more complicated than most other products. Customers expect suppliers to maintain the highest of standards. We generally believe that financial products should be sold purely on the merits and value of those products.

The following are our comments on your specific questions:

1. Should rebating of premium provisions and inducement provisions be considered separately or together?
   Separately.

2. If rebates or inducements are allowed, should there be any restriction on their use or value?

   Inducements, if allowed, should definitely have limitations on their value. The limitation should be strictly limited to a small percentage of the value of the financial product.

   Activities related to loss prevention should not be considered to be inducements as their use has a direct relationship in reducing the loss and, hence the price of the product (i.e. free or subsidized services such as smoke detectors, fire extinguishers, recharging of fire extinguishers, anti-theft devices etc).

3. What is the impact on the suggested changes on existing methods of distribution of insurance?

   Assuming that the "suggested changes" mean the removal of restrictions on rebating and inducements, we believe the impact would be the following:
   a. *Venders competing with each other to develop more innovative ways to use inducements and rebating to gain market share.*
   b. *More confusion for consumers when trying to compare the real price of the financial service among venders.*
   c. *More problems for regulators to sort out.*
   d. *More negative publicity for an industry that already has a challenge maintaining a good public image.*

4. Should all insurance products be treated the same? Life? P&C? A&S? Other?

   We believe that the public will associate any of these sectors with the "insurance industry" and therefore the same high standards should be maintained across the board –distributors included.

5. Should an inducement be restricted to a quote or request for information but prohibited when "tied" to a purchase?

   It should definitely be prohibited when tied to a purchase unless it is related to loss prevention or after sales service. We would prefer that it not be allowed in the case of quotes either.

6. Should there be any differentiation between insurer and an agent/broker offering the rebate or inducement?

   No.

7. Are there any regional or local issues that need to be addressed?

   None known.

8. Are there any options or implications concerning the elimination of the prohibition on rebates and inducements that are not addressed above?

   No other comments to offer.

Tied Selling and Bundling of Financial Products

Bundling of property/casualty insurance products should not be considered tied selling provided it does not require the consumer to purchase unwanted products.

However, we believe that allowing bundling of products across different types of financial services is not wise as it:

- Gives rise to conflict of interest.
- Unnecessarily adds to complexity.

With respect to the point in your paper which states that bundling should not be allowed where it is not at the option of the consumer, we caution that P&C insurers obviously must have some leeway to offer package policies such as the traditional “homeowner“ packages. (building, contents, outbuildings, extra living expense etc).

We appreciate the opportunity to provide input. We would be happy to discuss out input further with you.

Very Truly Yours,



Glen Johnson B.A., CAE.

401 Bay Street, Suite 1200, Box 45, Simpson Tower, Toronto, Ontario M5H 2Y4
Telephone: (416) 365-1900 or 1-800-265-3097 Fax: (416) 365-7664

May 20, 2004

Ms. Maria Policelli
Policy Manager
CCIR Secretariat
5160 Yonge Street
17th Floor, P.O. Box 45
North York, Ontario
M2N 6L9

E-mail: mpolicel@fsco.gov.on.ca

Dear Maria:

RE: Issues Relating to Inducements, Rebating and Tied Selling

Thank you for the opportunity to forward our comments on the consultation paper referred to above. We have no objection should you wish to make our comments available publicly, as part of the consultation process.

We will comment on the issues in the order in which they appear in the consultation paper.

INDUCEMENTS

An inducement is defined as the offer of a thing of value as an incentive to purchase an insurance product.

RIBO Regulations provide that offering an inducement is an act of misconduct.

> O. Reg. 991
> Section 15(1) For the purposes of the Act, "misconduct" means any of the following:
>
> 3. The use of any payment, allowance or gift or any offer to pay, allow or give, directly or indirectly, any money or thing of value as an inducement to any prospective insured to insure.

The reason is that inducements don't just have the potential to be unfair and deceptive acts or practices. They are unfair and deceptive acts and practices. They are specifically designed to influence a consumer's decision making process by the offer of some thing of value generally unrelated to the insurance nature of the transaction.

The sale of insurance is generally regarded so complex and important to society that the products, rates, marketing and distribution are all highly regulated. In addition, a great deal of time, money and effort is spent every year to better educate consumers about their responsibility in making informed decisions on insurance products and other financial services. Do we really want to throw all that effort away to have consumers making insurance decisions based on who will give them the best toaster?

RIBO agrees with the first three bullet points outlined in the "Background" section on page 3 of the consultation paper as the reasons why inducement prohibitions were implemented.

With respect to the second bullet regarding competition amongst brokers, RIBO has always maintained that it is in consumers interest for RIBO to regulate marketplace activities of brokers. For this reason, we would not permit a situation to develop whereby the broker with the deepest pockets could "buy" all the business in any region of Ontario, simply because they can afford to give away a more expensive or valuable inducement than the competition. Larger, more profitable brokerages would drive out the smaller community based brokers overnight. This is not a broker survival issue, but rather an unfair competition issue. It would simply be unconscionable to permit such a market state to exist.

For the reasons cited, we would strongly oppose the industry proposal. With respect to the cost of monitoring compliance argument, we would suggest that these costs are minimal in relation to the benefits of the policy objective, because these practices simply do not occur when appropriately monitored.

Having said that we would oppose an outright removal of the prohibition, we would, however, agree that there are other possible options that would permit flexibility in marketing programs and still achieve consumer protection goals.

Over the years, RIBO has developed a set of guidelines for brokers on marketing practices, many of which address the options listed on page 4 of the consultation paper. A copy of these guidelines is attached hereto, for your reference.

The only option we would disagree with for the same reasons as outlined above, is the elimination of the prohibition against inducements, to be replaced it with a disclosure provision of the net value of the incentive.

REBATES

A rebate is defined as a specific type of inducement, which allows certain consumers to receive reduced premiums, that the insurer or agent or broker has not offered to other consumers.

RIBO regulations specifically provide that rebating is an act of misconduct.

> O. Reg. 991
> Section 15(1) For the purpose of the Act, "misconduct" means any of the following:
>
> 4. Directly or indirectly making or attempting to make an agreement as to the premium to be paid for a policy other than as set forth in the policy, or paying, allowing or giving, or offering or agreeing to pay, allow or give, a rebate of the whole or part of the premium stipulated by the policy or any other consideration or thing of value intended to be in the nature of a rebate of premium to any person insured or applying for insurance in respect of persons or property in Ontario, but nothing in this paragraph shall be construed to affect any payment in the nature of a dividend, bonus, profit or savings that is provided for in the policy.

Similar to inducements, rebating is an unfair and deceptive act or practice. A rebate of premiums is the act of intentionally discounting the price shown on the face of a policy, or receiving the full premium and kicking-back some portion thereof. This practice is hidden and only takes place for some consumers, but not all. The deceptive part occurs in that no one knows it is occurring, least of all those consumers not part of the scheme. We believe this practice would disrupt fair competition in the marketplace. In addition, the same argument regarding larger brokers being able to "buy" business in regions of Ontario, as with inducements, applies to rebates as well. It distorts fair competition and is not in the best interests of consumers.

CONSIDERATIONS

1. Q. Should rebating of premium provisions and inducement provisions be considered together or separately?

   A. Separately

2. Q. If rebates or inducements are allowed, should there be any restriction on their use or value?

   A. Yes, as described in the guidelines.

3. Q. What is the impact of the suggested changes on existing methods of distribution of insurance?

   A. Answered above.

4. Q. Should all insurance products be treated the same? Life? P&C? A&S? Other?

   A. For the purposes of inducements and rebate prohibitions, yes.

5. Q. Should an inducement be restricted to a quote or request for information but prohibited when "tied" to a purchase?
   A. Yes, along with other guidelines.

6. Q. Should there be any differentiation between an insurer and an agent/broker offering a rebate or inducement?

   A. No. Inconsistency leads to confusion.

7. Q. Are there regional or local issues that need to be addressed?

   A. No. Everyone should play by the same rules in this instance.

8. Q. Are there any options or implications concerning the elimination of the prohibition on rebates and inducements that are not discussed above.

   A. As indicated above, and in our guidelines.

TIED SELLING AND BUNDLING OF FINANCIAL PRODUCTS

RIBO agrees that tied selling, or in this context, making the sale of an insurance product contingent upon the sale of another product, ought to remain prohibited in Ontario. We would have no objection, however, to a process permitting bundling of financial products as long as it is available to all consumers and there is a choice and benefit to the consumer. We agree that the bundling ought to be at the option of the consumer, or it would be coercive tied selling. We also agree that some clearer legislative wording may help to differentiate legitimate bundling of products from coercive tied selling.

Thank you for the opportunity to forward our comments. We would be pleased to discuss any of our comments further at your convenience.

Yours very truly,



Jeffrey A. Bear, B.A., LL.B., LL.M.
Chief Executive Officer

SPRING 2001

REVISED GUIDELINES ON MARKETING PRACTICES

Please read the following guidelines and make sure that you keep a copy within your office for easy reference.

RIBO's Professional Development Committee has revised the following guidelines. The Committee has attempted to balance restrictions on fair trade practices in the industry with the interests of consumers in an orderly market. RIBO wants to balance professionalism in the brokerage industry with avoidance of unnecessary restrictions on the ability of brokers to compete in the market. Liberalization of some existing marketing practices reflects these balances.

Consumer protection is provided effectively through the existing regulatory provisions regarding advertising measures, client disclosure and consent, and the rules regarding undue influence, coercion, conflict of interest and tied selling practices.

Please Note – These are only guidelines. It is strongly recommended that all proposed marketing plans be submitted in writing to RIBO for review, prior to launching any new program.

AIR MILES

It is acceptable for a broker to offer AIR MILES in conjunction with the purchase of an insurance product. Bonus points plans may be considered inducements and should be referred for approval.

BARTERING

Bartering is not an acceptable practice.

BROKERS NEGOTIATING WITH INSURANCE COMPANIES TO REDUCE THEIR COMMISSIONS TO OFFER LOWER PREMIUMS TO CUSTOMERS

It is acceptable for brokers negotiating with insurance companies to reduce their commissions in order to offer lower premiums to customers.

CUSTOMER LISTS

Brokers may only sell, trade or giveaway customer/client lists with prior individual client consent (See enclosed sample client consent form).

DONATIONS BY BROKERS OF PART OF THEIR COMMISSION TO A BENEVOLENT ORGANIZATION, CHURCH, OR CHARITY

A broker may advertise that he or she supports a benevolent organization, church or charity. It is, however, improper for a broker to advertise that a portion of commission, or a specific percentage of the premium of each policy sold, will be donated to that organization as an inducement to a prospective client to insure with that broker.

ENVELOPE STUFFING

Envelope stuffing is permitted, as long as the broker acts with integrity, having regard to the duty to encourage public respect for the industry.

EX-DATING

The use of unlicensed personnel to obtain expiry dates is permitted as long as the unlicensed person gives no insurance advice, and all insurance related questions are referred to a licensed broker.

FEES

Where a broker intends to charge a fee over and above commission, such fees must be disclosed to the client in a manner consistent with s.12 of Ont. Reg. 991.

GIVEAWAYS

RIBO's position is that giveaways are acceptable as long as they are nominal in value (under $100.00) and not tied to the purchase of insurance.

Inducements for the obtaining of expiry dates and/or for the opportunity to quote on a piece of business are acceptable as long as such inducements are not contingent upon the purchase of an insurance product.

GROUP MARKETED PROGRAMS

Brokers involved with "association" or "group" marketed insurance programs should refer any such proposed ventures to RIBO for its consideration. All promotional material must clearly indicate the name of the insurer, and the broker. It must also state that all insurance related inquiries must be directed to the broker or the insurer, and not to the administrators of the "association" or "group".

JOINT ADVERTISING

It is acceptable for a broker to enter into a joint advertising program with insurance or non-insurance related entities. Any advertising is subject to the existing regulations concerning advertising and tied selling. “Bundling” of insurance and non-insurance products **is not** an acceptable practice.

NETWORK AFFILIATIONS

Network Affiliations may be acceptable, however, specific affiliation plans should be submitted to RIBO for review.

NICHE MARKETING

Niche marketing is acceptable where a broker develops an insurance program to fill or target a particular niche in the marketplace, and then obtains the agreement of a particular insurer to give him or her an exclusive right to market this niche product.

RAFFLES and CONTESTS

A raffle is acceptable as long as it is not tied to insurance product purchase, and is retrospective in nature (i.e. for existing clients only). Some consideration will be given to brokers who have a booth at a trade show where “business card” raffles and contests for prizes are commonplace.

REBATING

Rebating is strictly prohibited.

REFERRAL FEES TO/FROM OTHER FINANCIAL SERVICE SECTORS

Brokers may pay or receive referral fees from other intermediaries in the following financial services: life agents/brokers, mutual funds, financial planners, investment dealers, mortgage brokers, and real estate brokers, premium financing organizations and organizations that deal with products that reduce insurance risk (e.g. alarm systems). They are subject to the following conditions:

- There must be full disclosure and receipt of written consent from a client in advance of the referral (see enclosed sample client consent form).

- The broker does not give advice or participate in any sale of a product unless properly licensed to do so.

- Any permission necessary has been received from all appropriate regulatory organizations (e.g. Financial Services Commission, etc.).

Note: Referral fees to non-financial industry parties are not permitted.

THIRD PARTY PAYING FOR INSURANCE COVERAGE

It is not acceptable for insurance brokers to pay for insurance coverage for others.

Third party paying for insurance coverage is acceptable. Any advertisement must indicate that the third party is paying for all or a portion of the insurance costs upon the purchase of their product. The advertisement cannot, for example advertise “Free Insurance”. Such third party advertisements should be referred to RIBO for approval before they are distributed.

VISA, MASTERCARD PREMIUM PAYMENTS

Acceptance of Visa or MasterCard by a broker for premium payments is permissible. If a broker, however, is passing on the fee charged by a bank to a client or assessing a fee for this service, the broker must disclose all information to the client in a manner consistent with s.12 of Ont. Reg. 991.

“1-900” NUMBERS

The use of “1-900” telephone numbers to provide insurance information may be acceptable as long as any promotional material is not misleading. There must be a clear indicating to the consumer that the broker who may be referred by the “900 service” is paying a fee to subscribe to this service.