



Governance and Business  
Culture in terms of Fair Treatment  
of Customers CCIR Report

**CONSOLIDATED OBSERVATIONS,  
RECOMMENDATIONS AND  
GOOD PRACTICES REPORT**

June 2024

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# INTRODUCTION

In November 2015, the members of the Canadian Council of Insurance Regulators (“CCIR”) adopted the [Framework for Cooperative Market Conduct Supervision in Canada](#) (the “Framework”), established following the adoption of the Memorandum of Understanding and Protocol on Cooperation and the Exchange of Information. In accordance with this framework, the members of CCIR’s Cooperative Supervision Oversight Committee have collaborated on joint examination in relation to commercial practices and the fair treatment of customers (“FTC”) among insurers.

These examinations were conducted in accordance with the legislation of the respective jurisdictions of the participating members and with best practices, including [Guidance: Conduct of Insurance Business and Fair Treatment of Customers](#), published by CCIR in September 2018.

In the spring of 2017, the members of CCIR also introduced the Annual Statement on Market Conduct (the “Annual Statement”) to jointly collect information from insurers on the insurance market and the conduct of insurers’ business.

Since 2020, the members of CCIR have published the results of their supervisory work and from annual statement data:

- In December 2020: [2019 Annual Statement on Market Conduct – Public Report](#);
- In October 2021: [CCIR Cooperative Fair Treatment of Customers \(FTC\) Review – Consolidated Observations Report](#);
- In November 2021: [2020 Annual Statement on Market Conduct – Public Report](#);
- In December 2022: [2021 Annual Statement on Market Conduct – Public Report](#);
- In December 2023: [2022 Annual Statement on Market Conduct – Public Report](#).

These reports included observations and recommendations for insurers regarding governance and business culture in relation to FTC.

# 1. BACKGROUND

Over the past few years, various supervisory work on governance and business culture in relation to FTC were conducted by CCIR members, including the examinations conducted over 2022/2023 with 26 insurers that focused specifically on this area.

Regulators from provinces across Canada were involved in supervisory work summarized in this report. The work involved in similar proportions insurers registered in the life and health (L&H) or property and casualty (P&C) sectors in the jurisdictions of participating regulators.

The information collected and analyzed enabled CCIR members to develop a picture of governance and business culture in relation to FTC within the industry, identify good practices and areas for improvement.

The regulators involved in the review developed supervisory reports and provided it to individual insurers on a confidential basis. It is individual regulators responsibility to ensure appropriate actions are taken to address the expectations expressed in these reports.

CCIR members reiterate that insurers have flexibility to establish for themselves the strategies, policies and procedures needed to comply with sound commercial practices. It is therefore the responsibility of each insurer to adopt the principles and expectations set out in the applicable frameworks and implement them appropriately, applying the principle of proportionality, in light of the nature, size and complexity of its business activities and risk profile.

This report sets out the main observations drawn from different work involving 40 insurers out of a total of nearly 300 insurers nationally<sup>1</sup>, including cooperative FTC reviews conducted by CCIR members including an industry review on governance and business culture for 26 insurers that concluded in October 2023 and individual FTC reviews carried out since 2017 by one or more regulators in their respective jurisdictions.

These reviews highlighted observations in the following areas:

- FTC-related roles and responsibilities of the board of directors and senior management;
- Codes of ethics or conduct, FTC policies and objectives;
- Risk management and commercial practices that could adversely affect FTC;
- Management information.



<sup>1</sup> As there are no significant differences in results for governance and the integration of FTC into insurers' business culture between L&H insurers and P&C insurers, the results will be presented at the aggregate level.

This report identified areas for improvement in processes and procedures in place during the period of examination and at the time these examinations were carried out. Insurers processes and procedures may have changed since recommendations were issued, as some insurers have started to implement the required improvements as included in their respective action plans. Most of the insurers with the largest market shares have already implemented elements identified in the recommendations.

Despite this, the recent information obtained by CCIR members shows that the findings and recommendations arising from these examinations are still relevant and are useful to insurers that have not been monitored in this area.

CCIR finds it important to be transparent and share the results of their concerted efforts, which are carried out in the interest of the public and consumers.

In addition to main observations from review of 40 insurers, this report also includes examples of practices and actions implemented by the industry that were already in place at the time of the examinations or that have been implemented or planned in order to address regulators' expectations with respect to FTC. These examples are good practices, and they illustrate how various insurers have addressed these expectations considering their respective situations.

The majority of examinations considered in this report were carried out as part of the concerted monitoring program which began in 2022. Other results from previous monitoring programs, which concerned insurers with larger market shares, have been taken into consideration in order to enrich the examples of good practices listed in the appendix, so that industry can benefit from a greater number of examples.

CCIR members encourage all insurers to read this report and the other findings and recommendations released by CCIR or CCIR members to proactively incorporate the applicable recommendations into the activities of all their business lines, with the appropriate modifications<sup>2</sup>.

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2 You can also read the following public reports from:

Canadian Council of Insurance Regulators

- [CCIR 2022 Annual Statement on Market Conduct Public Report](#)
- [CCIR Cooperative Fair Treatment of Customers \(FTC\) Review – Consolidated Observations Report](#)

Autorité des marchés financiers (Québec)

- [Group disability insurance cross-sectional analysis report](#)
- [Critical Illness Insurance Supervisory Report](#)
- [Syndicate of Co-owners Insurance Supervisory Report](#)
- [Accessibilité à l'assurance automobile et habitation des particuliers pour les résidents de communautés autochtones](#) (available in French only)
- [Offre de produits d'assurance par l'entremise de concessionnaires d'automobiles, de véhicules récréatifs et de véhicules de loisirs aux Québec](#) (available in French only)

Financial Services Regulatory Authority (Ontario)

- [Insurer-MGA Relationship Review Report](#)
- [CCIR cooperative MGA-focused thematic review - Consolidated observations report](#)
- [Observed Practices in the Distribution and Sale of Universal Life Insurance](#)

## 2. CONSOLIDATED OBSERVATIONS AND RECOMMENDATIONS ON GOVERNANCE AND BUSINESS CULTURE IN RELATION TO FTC

Business culture is at the heart of improved market conduct outcomes in matters of FTC. It is one of the main vectors of staff behavior within a company. Business culture refers to the common values (e.g., ethics and integrity) and standards that characterize a business and influence the mindset and actions of its entire staff. It informs strategic decisions and the conduct of client-facing staff.

A business culture that seeks to achieve meaningful results, particularly regarding FTC, should help meet the following objectives:

- Understand the importance of placing clients at the centre of all concerns: strategic decisions, day-to-day conduct and results clearly demonstrate that customers and market integrity are real priorities,
- Recognize the risks that could hinder the achievement of expected results regarding FTC as well as the means to mitigate such risks, and
- Understand the importance of reporting the achievement of expected results at all levels, using FTC indicators that are measured, monitored, and driven by a cycle of continuous improvement.

Establishing an FTC-centric culture creates an environment that fosters customer confidence and long-term customer relationships, rather than focusing on short-term financial goals that could cause serious harm to customers and damage the insurer's reputation to the point of having an adverse impact on solvency.

A company with an FTC-centric business culture:

- Places clients' interests at the centre of its decisions and the conduct of its business,
- Recognizes and manages risks that could compromise FTC,
- Ensures that FTC outcomes are demonstrated, including through indicators developed for this purpose, and
- Communicates FTC outcomes to the persons concerned at all levels of the organization.



In the Annual Statement, many insurers self-assessed their company's state of maturity in terms of FTC governance and culture at an advanced stage.

However, the reviews carried out do not always align with the findings observed in the industry. Only a small percentage of these insurers were able to demonstrate that the board of directors and senior management had integrated and promoted elements of FTC culture, and that it was present at all hierarchical levels.

Within these insurers, an FTC culture could be observed in strategic plans, policies, procedures, control measures, reports, summaries and meeting minutes of operational committees and decision-making bodies.

Most of the insurers were unable to demonstrate all the expectations relating to an FTC culture had been implemented. The concrete actions linked to these expectations were therefore not always formalized. Some cultural elements may have been put in place, but the insurer was not always able to demonstrate them officially.

At the time the work was carried out, the observations and recommendations that were raised were all similar and are reflected in this report. As already mentioned, since then, many insurers, including the larger ones, have implemented several mechanisms to meet best practices, and continue to deploy their action plans.

## 2.1 FTC-related roles and responsibilities of the board of directors and senior management

The insurer's decision-making bodies, made up of members of the board of directors, board committees, senior management, and key persons in supervisory functions, are the pillars that should underpin the insurer's FTC governance framework.

### 2.1.1 Roles and responsibilities of the board of directors

The board of directors should ensure that the insurer adheres to sound commercial practices by exercising strong leadership in making FTC a core component of governance and the business culture.

The board of directors oversees the managerial performance of senior management. It should therefore ensure that the mechanisms required for sound corporate governance are in place, and monitor their effectiveness, by reviewing, analyzing, and discussing the relevant senior management reports that result from their application.

To this end, it should assign to certain directors, or to a committee of directors' responsibility for ensuring compliance with good commercial practices, and for monitoring changes in corporate culture and the risk of inappropriate practices that could adversely affect FTC<sup>3</sup>.

The board of directors should also ensure that the roles and responsibilities assigned to members of the board and its committees are clearly defined.

## OBSERVATIONS

### 1) Assignment:

The insurers reviewed had not always assigned directors or a committee of directors' responsibility for ensuring adherence to sound commercial practices and for monitoring changes in the business culture, as well as the risks of inappropriate practices that could adversely affect FTC.

### 2) Definition and documentation:

The insurers reviewed had not always defined and documented FTC roles and responsibilities for members of the board or board committees. Among those who had documented FTC roles, 30% required responsibilities to be better defined.

Some insurers reported documentation presenting global responsibilities such as ensuring compliance with legal and regulatory requirements, with no mention of more specific FTC responsibilities. Such an unspecific mention is insufficient to meet FTC's expectations.

3 Section 94 of the Insurers Act, CQLR, chapter A-32.1 in Québec

Appendix A presents examples of good practices on roles and responsibilities of the board of directors.

Additional examples of good practices about committees entrusted with FTC-related responsibilities is presented in Appendix B.

## **RECOMMENDATIONS**

To comply with the applicable regulatory frameworks of the participating members' respective jurisdictions, insurers should put the following in place to achieve robust FTC governance:

### **1) Assignment:**

Assign to board members or one of its committees responsibility for ensuring adherence to sound commercial practices and for monitoring changes in the business culture and risks of inappropriate practices that could adversely affect FTC.

### **2) Definition and documentation:**

Define and document the FTC roles and responsibilities of the board of directors or a committee of the board.

### **2.1.2 Roles and responsibilities of senior management**

Generally, senior management carries out all functions involved in the management and effective operation of the organization in a manner consistent with strategy, risk appetite, risk tolerance levels and the policies approved by the board of directors.

The board of directors should ensure that the FTC-related roles and responsibilities assigned to senior management and key persons in the company's supervisory functions are clearly defined.

## **OBSERVATIONS**

### **1) Assignment:**

In some instances, roles and responsibilities were assigned to a specific person in the organization rather than to the position held by the person, potentially resulting in a break in continuity in the event of the person's departure.

### **2) Definition and documentation:**

- The insurers had not always defined or documented FTC roles and responsibilities for senior management. Of those who had documented roles, in 24% of cases the responsibilities needed to be better defined.
- Thus, specific FTC roles and responsibilities were not always clearly defined and documented by all insurers. High-level responsibilities were mentioned in some cases, but without any further details, such as responsibility for ensuring the application of FTC principles.
- Responsibility for ensuring adherence to the FTC policy, code of ethics, or code of conduct was generally specified in the insurers policy or code. However, insurers had not formally assigned or defined this responsibility.

Examples of the good practices identified among the insurers are presented in Appendix C. As an example, most of the insurers preferred appointing an officer responsible for FTC and commercial practices or entrusting responsibility for a holistic view of FTC to the company's chief compliance officer or the risk management officer.

## **RECOMMENDATIONS**

To comply with the applicable regulatory frameworks of the participating members' respective jurisdictions, and achieve robust governance with respect to FTC, insurers should:

### **1) Assignment:**

Assigned the roles and responsibilities to the position held by the designated person.

### **2) Definition and documentation:**

Define and document the FTC-related roles and responsibilities of members of senior management.

## 2.2 Codes of ethics or conduct, FTC policies and objectives

Business culture refers to the common values (e.g., ethics and integrity) and standards that characterize a business and influence the mindset and actions of its entire staff. It informs the insurer's strategic decisions and the conduct of client-facing staff.

One of the responsibilities of the board of directors is to ensure that the insurer's code of ethics preserves and strengthens the business culture and enables ongoing adherence to high standards of ethics and integrity from recruitment onward.

Senior management is responsible for promoting an FTC-centric business culture and sound commercial practices within the company. Senior management's responsibilities include ensuring the:

- Development of objectives, strategies, policies, processes, and procedures that are consistent with the company's values and enable achievement of the expected FTC outcomes; and
- Implementation of controls to ensure that staff conduct is consistent with the insurer's FTC-related values.

Insurers frequently implement a specific FTC policy and codes of ethics or conduct as frameworks for articulating and communicating their expectations regarding FTC-related values, principles, objectives, and strategies.

Defining general objectives for commercial practices helps guide the insurer's actions and decisions in relation to FTC.

The policies governing operations (e.g., underwriting, product design, pricing, distribution, claims processing) should also include FTC objectives that are aligned with the general objectives.

### **OBSERVATIONS**

#### **2.2.1 Codes of ethics or conduct**

##### **1) Adoption of a code of ethics or conduct:**

All insurers had a code of ethics or conduct to which staff were subject. In about 50% of cases, insurers' external distributors were also subject to this code of ethics or conduct.

#### **2.2.2 FTC policies**

##### **2) Establishment of an FTC policy:**

Approximately 73% of insurers had established one or more FTC policies. For more information about the topics addressed by the insurers in their FTC policies, please refer to Appendix D.

#### **2.2.3 Codes and policy objectives**

##### **3) Approval by the board of directors:**

In some cases, FTC policies or the code of ethics or conduct were not approved by the board of directors. In some cases, there was no evidence the policy had been approved by the board of directors.

##### **4) Review and update:**

Some insurers did not review or update their policies regularly or at the intervals determined by the company. Other insurers identified frequency of policy reviews ranging from every 1 to 3 years for example.

Apart from the FTC policy and the code of conduct, the insurers that were further ahead in operationalizing the FTC principles had incorporated FTC into their company's other policies to ensure an FTC culture was present at all stages of the life cycle of a product or service. Appendix E includes a list of other policies insurers put in place.

## **RECOMMENDATIONS**

To comply with the applicable regulatory frameworks of the participating members' respective jurisdictions, and promote an FTC-centric business culture, insurers should:

### **1) Adopt of a code:**

Adopt a code of ethics or conduct.

### **2) Establish of an FTC policy:**

Develop an FTC policy, communicate it to all stakeholders and implement it within the company's operations.

### **3) Get the approval by the board of directors:**

Have the FTC policies and the code of ethics or conduct approved by the board of directors.

### **4) Review or update:**

Have the FTC policies and the code of ethics or conduct reviewed or updated on a periodic basis.

## **2.3 Risk Management and commercial practices that could adversely affect FTC**

One of senior management's responsibilities is to ensure that integrated risk management considers risks and commercial practices that could adversely affect FTC and the means of mitigating them.

Commercial practice risk should not be overlooked, as it can not only adversely affect the company's reputation but compromise its solvency. It is therefore essential for this risk to be specifically incorporated into the company's integrated risk management framework.

Senior management should also ensure that controls are established to generate information, for the board of directors, supporting the tracking and measurement of performance and a process of continuous improvement with the respect to FTC. It also should ensure that appropriate action is taken to correct staff practices that are contrary to FTC.

## **OBSERVATIONS**

### **1) Commercial practices and specific FTC risk incorporated into risk management framework policy:**

- Some insurers incorporated commercial practices risk into integrated risk management;
- Only 9% of insurers included a specific FTC risk in the integrated risk management framework or policies; and
- Some insurers have integrated certain aspects of FTC risk into other risk categories. For example, by including FTC risk in regulatory or operational risk.

Among the other insurers, this integration was either lacking or the overall commercial practice risk was only integrated into one other risk, such as regulatory or operational risk. This does not allow the board of directors or senior management to properly assess the organization's FTC performance and react promptly to changes or risks that could have an adverse effect on their clients.

For more information about commercial practice risk and the risk subcategories identified by some insurers, please refer to Appendix F.

### **2) Controls to track and measure FTC performance:**

The insurer's controls were not always sufficient to enable reporting to the board of directors, to provide data for monitoring and measuring performance, and to implement a continuous FTC improvement process.

## **RECOMMENDATIONS**

To comply with the applicable regulatory frameworks of the participating members' respective jurisdictions, and to ensure sound management of commercial practice risks, insurers should:

### **1) Incorporate FTC specific risk into a risk management framework or policy:**

Integrate the specific commercial practice risk that could adversely affect FTC into the integrated risk management framework.

### **2) Implement or strengthen controls to track and measure FTC performance:**

Implement or strengthen the controls for generating information for the board of directors that supports monitoring and measurement of the Company's FTC performance and a process of its continuing improvement.

## **2.4 Management information**

CCIR expects management's reporting to include the most useful information and indicators to enable the board of directors and senior management to:

- Assess the organization's FTC performance;
- React , in a timely manner, to any changes or risks likely to have a negative impact on their customers; and
- Demonstrate that FTC is part of their business culture.

A company seeking to achieve meaningful FTC results should ensure that all levels of the organization understand the importance of FTC reporting , and to do so should develop and use FTC indicators that are measured, monitored, and driven by a continuous improvement cycle.

The board of directors is responsible for reviewing the company's FTC performance on set objectives and strategies and, if necessary, ensuring that the required corrective action is taken.

The company should therefore:

- Develop indicators for assessing the extent to which set objectives and strategies are being achieved;
- Analyze the indicators to identify FTC-related issues or trends and take corrective action when required; and
- Report to senior management and the board of directors to assure them that FTC objectives are being met and thus be able to assess the company's FTC performance.

## **OBSERVATIONS**

### **1) FTC objectives:**

- Some insurers had incorporated FTC objectives into their strategic plan; however, they had not always defined any FTC objectives or, when objectives were defined, they often reflected the wording of the principles included in the CCIR or regulators' frameworks without being tailored to the company's particular situation.
- The key objectives identified were sometimes very high-level.
- Several insurers have included a number of FTC objectives in their codes of ethics or conduct. Examples of the aspects addressed in these objectives are presented in Appendix G.
- The insurers had not always documented their FTC objectives, communicated them to stakeholders or operationalized them. Nevertheless, some insurers mentioned in order to operationalize their FTC policy and principles, they benefited from an implementation plan, a quality assurance and an audit program, and the three lines of defence model.

## 2) FTC indicators:

- FTC objectives were not accompanied by indicators for assessing the achievement of the objectives.

Indicators developed by the insurers focused mainly on sale performance and allowed for little or no assessment of FTC performance. Insurers used a claim or call processing time indicators, complaints, and customer satisfaction rates as main FTC indicators. However, these indicators alone are not sufficient to properly assess company FTC performance.

The insurers needed to develop other indicators to better assess their FTC performance.

## 3) Reporting to the board of directors and senior management

- As for the implementation of reports for senior management and the board of directors on the company's overall FTC performance, implementation was not optimal or had not taken place some insurers. These insurers needed to develop management information for senior management and the board of directors to give them a holistic view of FTC, provide them with assurance that FTC objectives and strategies have been achieved and enable them to assess FTC performance.

Also, the insurers were not always able to demonstrate that a formal process was in place for reviewing such objectives and indicators.

For examples of objectives and indicators implemented by the insurers, please refer to Appendix H.

## **RECOMMENDATIONS**

To comply with the applicable regulatory frameworks of the participating members' respective jurisdictions, and to be able to assess FTC performance, insurers should implement the following to achieve robust FTC governance:

### 1) Document and communicate FTC objectives:

Document its FTC objectives, communicate them to all stakeholders and implement them within the insurer's operations.

### 2) Extend, develop and implement FTC indicators:

- Extend on existing performance indicators and develop additional ones for the objectives set for FTC;
- Implement tools to analyze the indicators to identify FTC-related issues or trends and take corrective action when required.

### 3) Reporting to the board of directors:

Extend on or develop management information for senior management and the board of directors to give them a holistic view of FTC, provide them with assurance that FTC objectives and strategies have been met and to assess performance with respect to FTC.

## CONCLUSION AND NEXT STEPS

Business culture is at the heart of improved market conduct in relation to FTC.

The board of directors and senior management play a key role in implementing an FTC-centric culture.

CCIR members observed stronger operationalization of FTC-related expectations by insurers who had developed a stronger culture and more robust governance in relation to FTC. The common values and standards applied by their managers and operational teams were more firmly anchored and influenced mindset, conduct, actions, and decision making.

This report is intended to share good practices for insurers who are not as far along in their implementation of FTC. It is a good reference for all insurers, to reflect back when reviewing their current practices with a goal of continuous improvement. CCIR members recognize the implementation of FTC takes time and each insurer is at a different stage in their adoption. We believe this report will enable insurers to assess where they need to improve in relation to regulators' expectations and determine which actions need to be taken to make FTC a fundamental element of governance and their business culture.

In addition to the follow-up that will be conducted with the insurers that were reviewed, CCIR members will continue to place significant importance on this aspect during their activities including the creation of appropriate policies and procedures (Code of conduct / FTC policies to implement FTC culture within insurer organization).

# APPENDIX A

## Roles and responsibilities of the board of directors – Examples of good practices

The roles and responsibilities assigned by insurers to the board of directors, a specific director or a committee were focused mainly on the following:

- FTC culture within the company;
- Monitoring of FTC risk;
- Customer satisfaction;
- Policies and codes of ethics and conduct;
- FTC-related accountability;
- Governance structure in relation to FTC;
- Monitoring carried out by senior management, the person responsible for FTC and the committees;
- Conflicts of interest, compensation, and performance management programs (including incentive management);
- Distribution channels;
- Accessibility of insurance;
- Overall FTC performance of the company and, if applicable, the group;
- Claims handling;
- Protection of personal information;
- Sales process;
- Controls and quality of the products and services offered;
- Escalation process for FTC-related issues;
- Complaints handling and dispute resolution;
- Product and service design and advertising;
- Underwriting;
- Inappropriate activities, including fraud.

## APPENDIX B

### Committees to which insurers entrust FTC-related responsibilities – Examples of good practices

The committees to which insurers entrust FTC-related responsibilities can vary across insurers. Examples of the different committees involved in FTC are presented below:

- FTC, market conduct or review of conduct of business committee;
- Risk management committee;
- Compliance management committee;
- Committee - customer experience;
- Ethics committee;
- Audit committee;
- Product management review committee;
- Corporate governance committee;
- Investment and finance committee;
- Committee on distribution channel conduct;
- Insurance committee;
- Information technology committee.

Responsibilities could be entrusted to one or more committees. In some cases, a committee was entrusted with broader responsibilities to give it an overall view, while the committees assumed FTC-related responsibilities related to their own scope of activities.

## APPENDIX C

### Roles and responsibilities of senior management – Examples of good practices

The roles and responsibilities assigned by insurers to senior management, or a specific member of senior management focused mainly on:

- FTC culture within the company;
- FTC risk (including risks arising from outsourcing and relationships with third parties);
- Customer satisfaction and experience, including the development and implementation of a customer relations management strategy;
- Policies, codes of ethics and conduct and operations procedures;
- FTC-related accountability;
- Assignment of responsibilities to other executives or company employees (in different business lines) and their monitoring (operationalization);
- Compliance with laws and regulations and conformance to regulator expectations (e.g., Guidelines);
- Conflicts of interest, compensation, and performance management programs (including incentive management);
- Distribution channels;
- Employee training and communication of FTC-related expectations;
- Overall FTC performance of the company and, if applicable, the group;
- Claims handling;
- Protection of personal information Sales process;
- Sales process;
- Controls and quality of the products and services offered and compliance with code of conduct;
- Escalation process for FTC-related issues and reporting;
- Complaint handling and dispute resolution;
- Product and service design and advertising, including market study strategies to improve customer experience, product development and internal processes;
- Underwriting;
- Inappropriate activities, including fraud.

# APPENDIX D

## Examples of topics addressed in FTC policies

The following are examples of topics for which FTC-related principles, expectations and responsibilities were documented in insurers' FTC policies:

- Governance and culture;
- Roles and responsibilities of the board of directors, senior management and the various lines of defence and their accountability for these roles and responsibilities;
- Controls, reporting, objectives, indicators, and assessment of the insurer's FTC performance;
- FTC risk management;
- Design and marketing of products and services, including:
  - advertising
  - materials for customers, employees, and distributors
  - premium setting
  - selection of distribution methods
  - information to be disclosed to customers;
- Distribution channels, including contract agreements and terms, including:
  - choice of distributor
  - elements to be assessed at the distributor before the agreement is signed and over the term of the agreement
  - terms and conditions for terminating the agreement
  - FTC-related expectations, roles and responsibilities of the distributor and the insurer
  - monitoring of the distribution channels and reporting to the insurer;
- The sales process and services offered to customers, including:
  - expectations for distribution channels in connection with the process (e.g., conflict of interest, supervision, advice, and service level (before, during and after the sale));
- Training and skills;
- Disclosure to consumers;
- Protection of personal information;
- Document retention and saving;
- Approval and update process for this policy.

# APPENDIX E

## Examples of policies incorporating FTC principles

The other key insurer policies incorporating FTC principles were focused mainly on:

- Quality assurance and customer support;
- Internal audit;
- Call centres and customer service;
- Product marketing and advertising;
- Communication (social media, public representations);
- Product design and development;
- Conflicts of interest, including incentive management;
- Compliance including the compliance manual;
- Document retention;
- Service contracts and agreements (including those with distributors);
- Quality controls;
- Reporting of inappropriate conduct (hotline);
- FTC and compliance training;
- Fraud;
- Risk management;
- Corporate image;
- Outsourcing and activities with third parties;
- Committee mandates relating to FTC;
- Business optimization;
- Protection of personal information;
- Compensation and performance management programs (including incentive management);
- Customer service, sales, information, and materials for customers;
- Customer experience strategy;
- Product pricing;
- Claims examination;
- Complaint handling and dispute resolution.

# APPENDIX F

## Examples of subcategories of commercial practice risk

Some insurers had an integrated risk policy or framework that specifically incorporated commercial practice risk. In these policies or frameworks, the main risk subcategories that were identified were:

- Product design
  - Inadequate consideration of customers' vulnerability and needs
  - Use of inappropriate distribution channels (e.g., distribution with or without advice, distributors whose practices do not meet the insurer's FTC expectations)
  - A product design error leading, for example, to overpricing, inappropriate pricing or inappropriate product management;
- Underwriting
  - Inadequate consideration of customers' vulnerability and needs
  - Severe criticality of a change on customers
  - A change impacting a critical number of customers;
- Disclosure and sale
  - Materials for customers and distributors that are not clear
  - Inappropriate monitoring of distribution channels and inappropriate practices
  - Insufficient information provided to distributors regarding a product's advantages, characteristics and target market;
- After-sales service
  - Inadequate consideration of customer vulnerability and needs
  - Poor quality of communication and interactions with customers
  - Inappropriate processes for the processing of customers' claims and complaints
  - Unreasonable obstacles to customers' wish to make changes to the product selected or to cancel their contract;
- Systems
  - An inadequate system resulting in FTC issues, including issues relating to the protection of personal information;
- Governance of FTC objectives
  - Inappropriate strategy and objectives not enabling FTC performance or a proper assessment of FTC performance
  - Improper management of conflicts of interest including incentives
  - Improper management of the recruitment strategy (distribution channels) and training;

At some insurers, these subcategories were assessed through various lenses, including conduct with customers, market conduct and regulators' expectations.

## APPENDIX G

### Code of ethics - Examples of good practices

The FTC objectives included in insurers' codes of ethics were focused mainly on:

- Management of conflicts of interest;
- Handling of confidential information;
- Establishing a whistleblower hotline;
- Protection and management of data and personal information;
- Corporate values.

Other insurers had incorporated a larger number of FTC-related objectives into their codes, which addressed:

- Complaint resolution;
- Compliance with laws and expectations relating to FTC;
- Promoting of diversity, equity, security, and inclusion;
- FTC (including solutions centred on customers and their needs and interests);
- Risk management;
- Controls;
- Documents in records and registers;
- Fraud;
- Incentive management (e.g., gifts);
- Corporate values;
- Expected behaviours towards customers and third parties;
- Accountability;
- International sanctions.

# APPENDIX H

## Examples of FTC objectives and indicators

The FTC objectives that were defined by insurers, at the time of the examinations or following the implementation of their action plan, related to:

Focus of these objectives	Types of indicators related to the achievement of these objectives
Governance	<ul style="list-style-type: none"> <li>• Assessment of senior management’s FTC performance</li> <li>• Results of the FTC self-assessments (pre-determined frequency) completed by the company’s business lines</li> <li>• Periodic results of the assessment of commercial practice risk</li> <li>• Periodic reports from senior management, the committees concerned and the persons responsible for FTC</li> <li>• Annual results of the programs for managers, which include an FTC component</li> <li>• Results of the employee-targeted program promoting FTC culture or certain aspects of FTC culture among employees</li> <li>• Results of internal audits of commercial practices</li> <li>• Conduct Risk and Culture Insights</li> </ul>
Product design	<ul style="list-style-type: none"> <li>• Results of the assessment of the promotion of products in a clear and fair manner so as not to mislead customers</li> <li>• Results of work on consideration of the needs of different target customer groups</li> <li>• Number of changes to products and the nature of and reasons for the changes</li> <li>• Distribution channel inputs enabling an assessment of the extent to which FTC objectives have been achieved and enabling appropriate actions to be taken if necessary</li> <li>• Results of customer surveys</li> <li>• Results of the assessment of controls relating to product design activities</li> </ul>
Advertising	<ul style="list-style-type: none"> <li>• Promotional and advertising indicators result in terms of benefit for the clients</li> <li>• Adherence to the principle of clear and plain language and of not misleading consumers</li> <li>• Results of the assessment of control measures relating to promotional and advertising activities</li> </ul>

Focus of these objectives	Types of indicators related to the achievement of these objectives
Customer service	<ul style="list-style-type: none"> <li>• Demonstrate competence, care and diligence in their dealings with customers</li> <li>• Target achievement rate for average handling time (call centre)</li> <li>• *Call adherence to market conduct elements (misrepresentations, assumptive close, consent, product appropriateness, etc.)</li> <li>• Minimum threshold for customer referral rate</li> <li>• Customer satisfaction score</li> <li>• Customer engagement or customer experience rate (e.g., survey results, referral rate)</li> <li>• Customer issue resolution rate</li> </ul>
Disclosure to consumers before or at the time of purchase	<ul style="list-style-type: none"> <li>• Provide customers with clear, appropriate, and timely information</li> <li>• Indicators for pre-purchase and time-of-purchase disclosures (audit results, websites, distributor reporting)</li> </ul>
Quality assurance	<ul style="list-style-type: none"> <li>• Audit results, material deficiencies identified, and actions taken or planned to address them</li> </ul>
Claims handling	<ul style="list-style-type: none"> <li>• Fair and timely processing</li> <li>• Processing time target achievement rate</li> <li>• Referral rate for this service</li> <li>• Number of claims contested (legal action or appeal of decision)</li> <li>• Claims volume</li> <li>• Claims outcomes</li> <li>• Claims denial ratio</li> </ul>
Complaint handling	<ul style="list-style-type: none"> <li>• Fair and timely processing</li> <li>• Processing time target achievement rate</li> <li>• Volume of complaints, resolution rate, settlement rate (founded or unfounded), by period, year over year and by type of complaint</li> <li>• Number of investigations of staff or concerning distributors, topics, and resolution</li> <li>• Number of whistleblower reports made to regulatory authorities by agents</li> <li>• Level of complaint escalation (escalated complaints and results)</li> <li>• Complaints by nature, cause of complaints</li> </ul>
Management of conflicts of interest (including incentive management)	<ul style="list-style-type: none"> <li>• Number of changes to sales force remuneration and reasons for the changes</li> <li>• Number of employees reporting a conflict of interest and actions taken</li> </ul>

Focus of these objectives	Types of indicators related to the achievement of these objectives
Protection of personal information	<ul style="list-style-type: none"> <li>• Number of confidentiality breaches, severity level, causes and actions taken or required</li> </ul>
Distribution channels	<ul style="list-style-type: none"> <li>• Training participation indicator for FTC-specific training or training that the insurer considers essential or important for achieving its FTC objectives</li> <li>• Distribution channel indicators (distributor reporting)</li> <li>• Number of contract terminations with cause (agents, firms, etc.)</li> <li>• Results of licensing monitoring</li> <li>• Procedure and script adherence indicator</li> <li>• Results of insurer audits relating to firms and representatives regarding adherence to FTC expectations, issues and issue resolution</li> <li>• Customer satisfaction with distribution channels and the distribution method</li> <li>• Distributor satisfaction with the insurer</li> <li>• Trends in usual sales or activities</li> </ul>
Employee conduct	<ul style="list-style-type: none"> <li>• Number of code of conduct breaches, the reasons for and causes of them, and actions taken or required</li> <li>• Code of conduct or ethics compliance certification rate</li> <li>• Internal misconduct</li> </ul>
Compliance	<ul style="list-style-type: none"> <li>• Number of breaches detected by regulatory authorities</li> <li>• Implementation rate for FTC-related expectations</li> <li>• Number of agents or firms identified as in default or not meeting FTC-related expectations</li> </ul>

For other examples of indicators, please see Appendix 1 of the 2021 Annual Statement on Market Conduct - Public Report, published in December 2022.<sup>4</sup>

<sup>4</sup> <https://www.ccir-ccrra.org/Documents/View/3741>



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