



CCIR and CISRO FTC Guidance - Notice of Publication

May 3, 2018

Background

The Canadian Council of Insurance Regulators (“CCIR”) and the Canadian Insurance Services Regulatory Organizations (“CISRO”) are publishing their proposed Guidance on Fair Treatment of Customers (“FTC”) for consultation (“the guidance”). The guidance aims at supporting CCIR and CISRO’s strategic priority to align with best international practices for enhancing consumer protection.

- **CCIR and CISRO FTC Guidance: Overarching common expectations**

The guidance is principles-based and expresses the CCIR and CISRO members’ overarching common expectations with regard to FTC. It aims at fostering meaningful discussions between regulators, insurers and intermediaries on market conduct. A principles-based approach will provide insurers and intermediaries with the necessary latitude to determine how to achieve results based on the nature, size and complexity of their activities. Therefore, CCIR and CISRO express their common expectations through outcomes to be achieved by insurers and intermediaries, rather than by prescribing the means to use. In doing so, CCIR and CISRO aim at providing sufficient indication to insurers and intermediaries to guide their conduct with regard to FTC in compliance with existing laws and regulations.

- **Supervisory harmonization: CCIR and CISRO strong commitment**

It is CCIR and CISRO’s strong commitment to partner with industry stakeholders in order to identify opportunities to increase regulatory and supervisory harmonization while aligning with best international practices. The guidance is the outmost expression of these strategic priorities.

Once finalized, it will be up to regulators in each jurisdiction to determine - based on their specific legislation and public policy objectives - if they choose to introduce a guideline or other measures in coherence with the CCIR and CISRO guidance.

CCIR and CISRO recognize that the introduction of the guidance might raise concerns on the risk of contradiction with existing or future local regulatory frameworks. While CCIR and CISRO ensured that the guidance is in alignment with current regulatory frameworks, they formally request specific comments on these issues and will address any risk or need for clarification identified in the course of the consultation process.

This consultation may also raise questions in some industry sectors about the possibility that intermediaries may be subject to multiple audits by regulators, self-regulatory



organizations and insurers in a given year. CCIR and CISRO will address any need for clarification and invite stakeholders to comment.

- **Respective roles and responsibilities of insurers and intermediaries: Finding the right balance**

The guidance is based on Insurance Core Principle 19 (“ICP 19”) on Conduct of Business, as developed by the International Association of Insurance Supervisors. ICP 19 was revised in November 2017 in an effort to more clearly define the respective roles and responsibilities of insurers and intermediaries.

It is well established that the insurer bears the ultimate responsibility for its product until the fulfilment of the contract. Nonetheless, both insurers and intermediaries have a shared responsibility toward clients. One of the goals of the guidance is to strike the right balance between the roles and responsibilities of insurers, distribution firms, agents and representatives. CCIR and CISRO formally request specific comments from stakeholders on this objective.

For CCIR and CISRO, the guidance is more evolutionary than revolutionary in nature. It is the foundation of their long-term perspective, as FTC gains prominence internationally. Regulation of market conduct is becoming increasingly important. In the insurance world, it is now seen as being as important as prudential supervision.

CCIR and CISRO propose the guidance as the cornerstone on which to build the dialogue with the insurance industry. After the guidance is in place, further work will be done to address specific issues with regard to FTC. To this extent, CCIR and CISRO currently monitor and analyze international regulatory developments related to transparency, disclosures, incentives management and client relationships. The purpose of this review is to develop recommendations regarding the applicability and appropriateness of these positions for CCIR and CISRO members.

The guidance will also demonstrate CCIR and CISRO members’ efforts to comply with international standards when the International Monetary Fund will conduct its next Financial Sector Assessment Program in Canada.

- **Next Steps**

CCIR and CISRO encourage all interested parties to review and comment on the guidance, which is available on CCIR’s website (www.ccir-ccrra.org) and CISRO’s website <https://www.cisro-ocra.com/index.html>. CCIR and CISRO hope to receive comments from a wide array of stakeholders, from consumer advocates, to participants of the insurance industry, as well as from other financial sectors. CCIR and CISRO will carefully analyze all comments before issuing a final guidance.

The consultation period on the guidance will be 45 days. The deadline to provide written submissions is June 18, 2018.



Electronic submissions would be preferred via the CCIR Secretariat email: ccir-ccrra@fsc.gov.on.ca. Please note that CCIR and CISRO intend to publicly release all submissions received pursuant to this consultation process by posting them on their respective websites unless otherwise requested.