

June 15, 2018

BY EMAIL

Canadian Council of Insurance Regulators
Canadian Insurance Services Regulatory Organizations
c/o CCIR Secretariat
5160 Yonge Street, Box 85
Toronto ON M2N 6L9
E-mail : ccir-cerra@fsco.gov.on.ca

Dear Sirs/Mesdames:

Re: CCIR and CISRO Fair Treatment of Customers Guidance – Notice of Publication (the “Consultation”)

The Canadian Advocacy Council¹ for Canadian CFA Institute² Societies (the CAC) appreciates the opportunity to provide the following general comments on the Consultation.

We strongly support the dialogue started by the CCIR and CISRO to reiterate their expectations and align with best international practices. We are broadly supportive of many of the principles-based expectations with regard to the fair treatment of customers as set out in the proposed guidance. Regulation in general should be risk and principles-based, as well as technologically neutral and flexible. Consumers of financial products, including products in the insurance industry, should expect to receive reasonably consistent advice and information, regardless of the delivery channel.

We agree that the industry’s focus must be on delivering strong consumer protection throughout the life-cycle of an insurance product. Consumers are directly impacted by improper advice from distributors that may lack appropriate training, and thus public confidence in the industry is undermined. The ability to access independent insurance advice is very important, especially given factors such as the aging population and other vulnerable investors.

¹The CAC represents more than 15,000 Canadian members of CFA Institute and its 12 Member Societies across Canada. The CAC membership includes portfolio managers, analysts and other investment professionals in Canada who review regulatory, legislative, and standard setting developments affecting investors, investment professionals, and the capital markets in Canada. See the CAC's website at <http://www.cfasociety.org/cac>. Our Code of Ethics and Standards of Professional Conduct can be found at <http://www.cfainstitute.org/ethics/codes/ethics/Pages/index.aspx>.

² CFA Institute is the global association of investment professionals that sets the standard for professional excellence and credentials. The organization is a champion for ethical behavior in investment markets and a respected source of knowledge in the global financial community. The end goal: to create an environment where investors’ interests come first, markets function at their best, and economies grow. CFA Institute has more than 155,000 members in 165 countries, including more than 148,900 CFA charterholders and 149 member societies. For more information, visit www.cfainstitute.org.

One of the stated goals of the guidance is to find a balance between the roles and responsibilities of, among other parties, insurers and distribution firms. We agree it is a difficult balancing act, but note that many end users of insurance products rely heavily on the advice provided by insurance representatives, and may have little interaction with the insurer or any other party. With respect to outsourcing of tasks, the guidance explicitly notes that both insurers and distributions firms retain full and ultimate responsibility for those outsourced functions. To the extent issues for consumers are caused by intermediaries, the party who retained them should, in most cases (absent fraud or other circumstances that could not have been foreseen or controlled) remain responsible for those issues.

We look on a global basis at consumers of financial services holistically, including consumers of banking, securities and insurance products. We have previously provided comments to other regulators, including the Autorité des marchés financiers with respect to their review of potential conflicts of interest relating to the sale of insurance products. Insurance products play a large role in the financial well-being of retail investors. Canadian securities regulatory authorities have already mandated a number of changes in the distribution of securities products to address issues such as conflicts, and we believe these changes can and should be harmonized to the insurance sector. We note in particular that sales of insurance products are often made by dually-licensed salespersons, which exacerbates potential conflicts in that the salesperson might be incentivized to sell the lesser-regulated product. In addition, there are a number of hybrid investment products currently in the market which combine features of both securities and insurance products, leading to investor confusion with respect to the regulatory regime and realistic expectations of their advisors.

We look forward to the opportunity to comment further on any local consultations with a view to implementing the proposed guidance, at which time we may be in a position to comment on whether the specific proposals contradict a local regulatory framework.

Concluding Remarks

We thank you for the opportunity to provide these comments. We would be happy to address any questions you may have and appreciate the time you are taking to consider our points of view. Please feel free to contact us at cac@cfacanada.org on this or any other issue in future.

(Signed) *The Canadian Advocacy Council for
Canadian CFA Institute Societies*

**The Canadian Advocacy Council for
Canadian CFA Institute Societies**