

**THE CANADIAN COUNCIL OF INSURANCE REGULATORS  
AND  
THE CANADIAN INSURANCE SERVICES REGULATORY  
ORGANIZATIONS**

**INDUSTRY PRACTICES REVIEW COMMITTEE**

**SUMMARY OF RESPONSES ON THE *CONSULTATION PAPER ON  
RELATIONSHIPS BETWEEN INSURERS AND SALES INTERMEDIARIES –  
ACHIEVING BEST PRACTICES***

**EXECUTIVE SUMMARY**

**November 2005**

**Ce document est également disponible en français.**

**The Canadian Council of Insurance Regulators ("CCIR")  
and  
The Canadian Insurance Services Regulatory Organizations ("CISRO")**

**Industry Practices Review Committee ("IPRC")**

**Summary of Responses on the *Consultation Paper on Relationships between Insurers and Sales Intermediaries* – Achieving Best Practices**

**November 2005**

**Please note that the views and comments of the IPRC contained in this paper should not be construed as the official position of any provincial, territorial or federal government or agency.**

**Executive summary**

The IPRC was formed to review the insurer/intermediary relationship in the Canadian insurance marketplace, in response to events which took place in the insurance industry in the United States in the fall of 2004. The IPRC commenced its review by sending questionnaires to insurance companies and analyzing the responses received from insurers. The IPRC also utilized the results of the questionnaires that Autorité des marchés financiers (AMF) and Registered Insurance Brokers of Ontario (RIBO) sent to agents and brokers in its review.

The IPRC review went beyond the illegal activities that were identified in the United States and encompassed all relationships between insurers, brokers, agents and their clients. While the CCIR/CISRO review did not identify any evidence of illegal insurance related activities of the kind seen in the United States, the questionnaire results did disclose the existence of a number of relationships and business practices that have the potential to create conflicts of interest unless they are well managed. The issue is how to ensure these potential conflicts of interests continue to be managed in a standard appropriate for today's marketplace. Since the review was initiated, CCIR and CISRO have been pleased with the efforts made by the industry in Canada to introduce additional voluntary measures.

Following the initial fact gathering CCIR and CISRO released a consultation paper entitled *Relationships between Insurers and Sales Intermediaries* on June 3, 2005. A total of 69 responses were received. The key themes identified during the consultative process include the definition of "independence", priority of the client's interest, whether performance linked benefits and other financial links result in potential conflicts of interest and whether the current level of disclosure to consumers is adequate and consistent across jurisdictions.

The IPRC wishes to thank all respondents for their comments. We have prepared this paper to summarize the results of our consultation. As always, we welcome any additional comments that industry and the public wish to make. The IPRC intends to take responses received, industry initiatives and existing codes and legislation into account in making any recommendations on the issues highlighted in this paper.