

**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***

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.

1. Introduction

On June 3, 2005, the Canadian Council of Insurance Regulators (CCIR) and the Canadian Insurance Services Regulatory Organizations (CISRO) released a consultation paper entitled *Relationships between Insurers and Sales Intermediaries*.

The consultation paper was prepared by the CCIR / CISRO Industry Practices Review Committee (IPRC). The IPRC was formed in October of 2004 to ensure a coordinated national approach to regulators' review of insurance practices regarding the relationship between insurers, agents and brokers. This fact-gathering review was necessary given any allegations of inappropriate behaviour such as those in the United States will have significant impact on consumer confidence in the insurance industry.

The IPRC conducted fact gathering through the questionnaires sent to insurance companies in the Fall of 2004, the questionnaires that the Quebec Autorité des marchés financiers (AMF) and Registered Insurance Brokers of Ontario (RIBO) sent to agents and brokers, and the discussion paper with twenty-three questions published on June 3, 2005. The IPRC has not made recommendations during this fact gathering process. This paper has been prepared to summarize the key themes identified as part of the consultation.

Background

Since late 2004, many U.S. regulators and state governments have investigated and taken legal action against a number of insurers, brokerages and individuals, alleging fraudulent, coercive and dishonest practices in the sale of insurance products. These practices include the alleged rigging of bids for insurance and concerns about the payment of contingent commissions and other sales incentives. A major concern in these investigations has been the lack of disclosure of information on contingent commissions and sales incentives which some argue permitted the more serious issues to arise.

In Canada, CCIR and CISRO initiated a review of the relationships between insurers, brokers and agents in October 2004 to determine if issues similar to those in the U.S. could arise in Canada and to examine other aspects of the relationships between insurance companies, brokers and agents. It should be emphasized that the scope of the review goes beyond the most obvious illegal activities and encompasses all relationships between insurers, brokers, agents and their clients. The IPRC review was broad and focused on achieving best practices in managing potential conflicts of interest.

The AMF has undertaken a similar investigative and consultative process. The reports prepared by the AMF are located on their website (www.lautorite.qc.ca/accueil.en.html). In addition, RIBO developed a questionnaire that was distributed for completion to Ontario licensed property & casualty ("P&C") insurance brokers. RIBO has released a report on its survey, which is available on the RIBO website (www.ribo.com).

The CCIR/CISRO review has not uncovered evidence of illegal insurance related activities of the kind seen in the United States. At the same time, the survey 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. Considering the volume of transactions and the number of people working in the industry, it is important to manage conflicts of interest before problems arise. Since the review was initiated, CCIR and CISRO have been pleased with the efforts taken by the industry in Canada to review existing practices in order to better manage potential conflicts of interest.

The business practices and relationships in the insurance industry can pose significant risks to the reputation and integrity of market participants. The financial services industry is increasingly aware of reputation risk and the need to manage the risks associated with these relationships and business practices. The intention is not to interfere with intermediaries exercising their professional judgments in advising consumers, but to maintain market confidence in the industry. The discussion that has taken place with the industry about how these risks are managed and possible ways to achieve and enhance best practices has been valuable in moving this fact gathering process in a timely way.

2. Comments Received

The consultation period on the discussion paper formally ended on August 3, 2005. A total of 69 written responses were received. Not all responses addressed all of the issues raised in the consultation paper. In addition, some respondents addressed issues that were not part of the consultation paper exercise. Responses received have been posted on the CCIR website (www.ccir-ccrra.org/index.htm).

Summary and Analysis of Responses

The key themes identified in the written submissions are:

- 1) Is there a need for a regulatory review?
- 2) Should independence be defined?

- 3) Should legislation or regulation require that the client's interest comes first?
- 4) Do performance-linked benefits or other financial links lead to conflicts of interest?
- 5) Is the current level of disclosure to insurance consumers adequate and consistent across jurisdictions?

1. Is there a need for a regulatory review?

Some of the respondents took the position that further regulatory review and investigation by regulators was not necessary as no evidence of the illegal activities similar to those identified in the United States was uncovered as a result of the review. In addition, a number of submissions suggested that there should be different treatment and regulatory responses for the P&C and L&H sectors.

Comments Received:

Many industry respondents suggested that no further action is required at this time. The reasons identified in support of this view include the following:

- Sixteen respondents (one self-regulatory organization, four insurer associations, four intermediary associations, two intermediaries and five insurers) suggested that the survey of the industry and the response of regulators did not identify specific illegal activities in the Canadian insurance marketplace similar to those in the United States, and therefore there is no problem to be “fixed”;
- Twelve respondents (two self-regulatory organizations, four intermediary associations, two insurer associations, two intermediaries and two insurers) suggested that there are existing provisions contained in legislation, industry initiatives or codes of conduct that have served insurance consumers well and which may help prevent abuses from occurring;
- Seven respondents (one insurer association, three self-regulatory organizations, one intermediary association and two insurers) suggested that consumers are not interested or concerned by business practices in the insurance market as evidenced by the absence of enquiries and complaints from consumers on these issues;
- Nine respondents (four insurer associations, two intermediary associations, two insurers and one professional association) noted that both the CLHIA and IBC have introduced initiatives including disclosure since October 2004 to provide additional customer information. It is suggested that regulators should therefore wait for a period of time to give the industry some time to fully implement their initiatives before considering further action;
- Eight respondents (two insurer associations, four intermediary associations and two intermediaries) noted that there is a significant degree of competition and choice in the

insurance market to prevent abuses from occurring; and

- One respondent noted that initiatives such as the Joint Forum Practices Standards Project establish a voluntary set of principles that all brokers and agents could adopt and therefore the objectives of the CCIR/CISRO consultation paper can be accommodated by adopting those standards.

Four consumer associations expressed general support for adoption of increased regulation in the form of the policy options identified in the consultation paper.

Two consumer associations supported enhanced transparency (disclosure) without resorting to additional regulation or legislation.

One consumer association and two insurers supported harmonization of rules across Canada as it would make compliance easier.

However, two intermediary associations also noted the need to accommodate regional differences.

Nine respondents (four intermediary associations, two insurer associations, two intermediaries and one insurer) were of the view that different regulatory responses were required for the P&C and L&H sectors:

- One insurer association suggested that consistency across the financial sector can be best achieved in principle rather than in detail;
- One intermediary association suggested that it is critical that any new requirements recognize that P&C products and L&H products are essentially different; and
- One insurer stated that there is a distinction between L&H and P&C products in that L&H products are sold, not bought.

One industry association supported the Joint Forum's initiative to harmonize requirements for mutual funds and IVICs.

IPRC Analysis:

While most respondents agreed that the major concerns seen in the U.S. are not apparent in Canada, many consumer groups, insurers and professional groups suggest that there is a problem with transparency of compensation and potential conflict of interest arising from performance-linked benefits, loans or ownership arrangements. In addition, some respondents note that such potential conflict of interest issues are likely to be less obvious to the consumer.

Conflicts of interest exist in all aspects of life, including in the insurance sales and advisory environment. The issue is not whether conflicts of interest exist, but how to ensure they continue to be managed in a standard appropriate for today's marketplace.

The IPRC believes that reputation is a valuable asset of the financial services industry (commonly called reputational risk) and reputation is a cornerstone of consumer confidence. It would be very difficult to recover from any damage to consumer confidence, even created by a few incidents. All market participants have a stake in managing potential conflicts of interest to ensure that public expectations continue to be met. In order to reasonably assess and manage the risks to the insurance industry, this fact gathering review was necessary for an informed discussion with the industry on maintaining consumer confidence by achieving best practices.

Regulators and industry have taken steps to address consumer confidence by managing potential conflicts of interest. Since Fall 2004, both the P&C and L&H industries have introduced additional voluntary measures. Some regulatory requirements and industry codes governing conflicts of interest already exist across Canada and are summarized in Appendix 2. However, regulatory requirements and industry association codes are not uniform across the country. At a minimum, there is an opportunity to further harmonize the best practices across Canada.

The IPRC acknowledges that there are differences between the P&C and L&H industries in terms of product features and distribution channels. However, since brokers and agents deal with the public, some general conduct principles common to all areas of the insurance industry may contribute to a consistent level of protection for consumers.

2. Should independence be defined?

Insurance products are sold through a variety of means including direct writers, agents and brokers. Some intermediaries hold themselves out as being independent and consumers have expectations about the objectivity, role and obligations of these intermediaries in sales transactions. Others work for one or a few specific insurers. A number of respondents provided comment on whether or not there needed to be a clear definition of “independent” agents or brokers in order to avoid potential conflicts of interest.

Comments Received:

The thirty-two responses (ten insurers, four intermediary associations, two self-regulatory organization, four insurer associations, six consumer associations, four brokers and two individuals) to this issue are very diverse. For example:

- One insurer suggested that independence should be a synonym for objectivity;
- One individual suggested that eliminating the use of “independent” will eliminate much of the consumer perception that the entity or person is truly independent. The word “broker” should be used for those having agency contracts with more than one insurer. Perhaps “Exclusive Agent” should be used for those having an agency contract with only one insurer;

- One intermediary association suggested that all insurance intermediaries, by the very nature of the service they render, are assumed to have some degree of independence by the public;
- One intermediary association suggested that all intermediaries should be considered independent, unless they hold themselves out as representing one insurer;
- One insurer suggested that independence is not something that can or should be codified;
- One insurer suggested that a reasonable approach would be to create a definition of independence which clearly states that capital share, ownership, or financial ties must be less than 50 percent in order to enhance transparency and improve customer confidence;
- One insurer believed strongly that a good broker must be truly independent, which means that he/she will always act in the customer's best interest;
- One individual suggested that criteria should include number of markets (at least 4 for L&H and personal lines, more for commercial), corporate ownership and level of license / training;
- One self-regulatory organization suggested that with the implementation of the *Registered Insurance Brokers Act* in Ontario in 1981, all "independent" agents thereafter became known as "brokers", while captives retain the "agent" designation. There are no "independent" agents in the property and casualty insurance marketplace in Ontario; and
- One intermediary association suggested that the law of agency and B.C.'s disclosure regulations address the issue of independence adequately.

A related issue identified in the consultations was whether or not policy options identified in the paper should apply to all intermediaries or only to those that hold themselves out to be independent. Seventeen respondents provided comments:

- Three insurers noted that (exclusive / captive) agents and direct channels generally have no conflict of interest concerns when making recommendations.
- Four respondents (two intermediary associations, one insurer association and one insurer) suggested that an intermediary who represents only one company should be required to disclose to consumers their captive status.
- Eleven respondents (one insurer association, three insurers, two consumer associations, two intermediary associations, one self-regulatory organization, one intermediary and one industry respondent) stated that the policy options should apply

to all intermediaries:

- The industry respondents put forth the need for a level playing field; and
- One consumer association stated that most consumers do not distinguish between brokers and agents or know of the different classes of licences.
- Four respondents did not agree that policy options should be applied to all agents and brokers:
 - One consumer association and one individual suggested that the policy options should be applied to independent brokers;
 - One industry association suggested that the distinction between single and multi company representation probably warrants a different type or level of detail in disclosure to consumers; and
 - One industry association suggested that all policy options, except establishing the priority of the client's interest in legislation or regulation, should apply to the brokerage distribution channel only. The requirement that the client's interests be placed above those of the intermediary or any third party is appropriate for both agents and brokers.

IPRC Analysis:

The duties of agents and brokers toward their clients have been interpreted by the Courts to be essentially the same. Both agents and brokers owe a high standard of care to understand their client's needs and to provide a product recommendation to meet their needs. The expected standard of brokers and agents includes the duty to advise if the coverage does not meet all of the client's needs. Similarly, the duty to give the relevant information to the client so that he or she can decide what action to take is equally applicable to both agents and brokers.

It is clear from the responses received that there is no common agreement or understanding about what "independence" means. In addition, it would be very difficult to define "independence" in law even if there was agreement. If all intermediaries are held to the same ethical standards, then it may not be necessary to define "independence" as a rule to distinguish roles between different intermediaries. However, the number of markets intermediaries represent differs, and consumers need to be aware of this.

3. Should legislation or regulation require that the client's interest comes first?

The discussion paper asked whether or not consumer protection could be improved by establishing in legislation or regulation the priority of the insurance consumer's interest.

Comments Received:

Thirty-four respondents provided comments on the issue of the codification of the priority of the client's interest.

- Almost all responses supported the principle of the priority of the client's interests, with the exception of one intermediary association. The intermediary association suggested that a balance of interests as between client, insurer and agent/broker should be sought;
- However, twenty-six respondents did not support establishing the priority of the client's interest in legislation or regulation for the following reasons:
 - Two respondents (one industry association and one insurer) suggested that a first priority should be to document and assess the current "client priority" provisions and their interrelationships;
 - Eight respondents (one intermediary, five intermediary associations and two self-regulatory organizations) suggested that the current framework already establishes the principle of the priority of the client's interest and that it works well;
 - Eight respondents (two self-regulatory organizations, two intermediaries, two insurers and two intermediary associations) suggested that current provisions including integrity and trustworthiness, utmost good faith and client's needs that address the priority of the client's interest already exist;
 - One insurer association suggested that it would be difficult to monitor and enforce such a code. They also state that in common law, insurance has long been considered a fiduciary relationship. In addition, RIBO's standards for Ontario brokers already provide the necessary standards and enforcement. Regulation 347 of the Ontario Insurance Act addresses the exclusive agent situation;
 - One insurer suggested that conflicts of interest do not exist for their distribution channels; and
 - Five respondents (two self-regulatory organizations, two intermediary associations and one insurer) suggested self-regulation or voluntary adoption of the priority of the client's interest.

- Eight respondents (two intermediaries, four consumer associations, one insurer, and one insurer association) supported establishing the priority of the client's interest in legislation or regulation:
 - One consumer association believed that legislation or regulation for all three policy options is needed to ensure that the parties involved in an insurance contract understand that the client's interest must be placed above that of an intermediary or any third party; and
 - One consumer association supported establishing the priority of the client's interest in legislation or regulation because it demonstrates and clarifies the fundamental principle that the broker must always act in the best interest of the client.

In the context of discussing an intermediary's duties towards the client, five respondents (four intermediary associations, one insurer) indicated that understanding the client's needs and finding a suitable product that matches the client's needs are part of the sales process.

IPRC Analysis:

Almost all respondents agreed that the client's interest should come first. In fact, many industry associations pointed out that their members have always put their client's interests first.

The IPRC has conducted an initial review of current "priority of the client's interest" provisions in industry association codes, insurance council by-laws and case law. The majority of these codes and by-laws contain a priority of the client's interest provision. However, the wording of these provisions differs from jurisdiction to jurisdiction and from sector to sector. In addition, industry associations do not have power to enforce voluntary codes and not all insurance intermediaries belong to an industry association. (See Appendix 2 for information on the priority of the client's interest provisions from select industry association codes and insurance council by-laws). Although the principle of the priority of the client's interest may not be enunciated in these precise terms, many court decisions are also broadly consistent with the principle.

Regulators are currently able to take action against agents and brokers who have placed their interests before their clients'. Regulators use such requirements as competency, good faith and trustworthiness to achieve this effect. However, there may be opportunities to harmonize best practices.

Given the range of duties currently imposed by common law, council by-laws or regulations requiring the priority of the client's interest, the IPRC would like to better understand why some respondents believe formalizing such a requirement on a harmonized basis would increase their costs or why they feel it would be difficult to enforce.

4. Do performance-linked benefits or other financial links lead to conflicts of interest?

In addition to regular commissions, many intermediaries receive performance-linked benefits such as contingent commissions, bonuses and non-monetary benefits that are not tied to the sale of an individual policy. These benefits, and other financial links between insurers and intermediaries, may lead to a potential or actual conflict of interest between the interest of the intermediary and the interest of the consumer.

Comments Received:

The IPRC received a large number of comments on the payment of performance-linked benefits and other financial linkages between insurers and intermediaries. Some respondents felt that these performance-linked benefits and financial relationships created potential conflicts of interest and that they should be eliminated. Other respondents did not support this view.

- Twenty-five respondents, including nine insurers, three insurer associations, ten intermediary associations and three self-regulatory organizations, were of the view that performance-linked benefits should not be restricted. Among the reasons noted by the respondents for maintaining performance-linked benefits were:
 1. Offering performance-linked benefits is standard practice in both the private and public sectors and forms an essential part of the competitive business model;
 2. Bonuses for intermediaries which are associated with positive underwriting or good service can result in added safety for policyholders, enhance customer service, and promote good underwriting, profitability and price stability in the insurance marketplace; and
 3. Bonuses that are based on persistency levels encourage excellent customer service and increase the quality of business that is carried on by the insurer.
- Seven respondents, including two insurer associations, four intermediary associations, and one intermediary, noted that a distinction should be made between profit-based benefits and benefits linked to the placement of business. Some of these respondents took the position that while profit-based contingent commissions should be maintained, benefits that are volume-based, growth-based, and retention-based should be restricted or prohibited.
- Six respondents, including two insurers and four consumer associations, were in favour of some restriction of performance-linked benefits. Among the reasons noted by the respondents were:
 1. While the value of performance-linked benefits to intermediaries and insurers is clear it would be difficult to demonstrate the value they provide to the consumer;

2. Insurance consumers ultimately pay the cost of the performance-linked benefits provided to intermediaries; and
3. If not restricted, the amount of a performance-linked benefit may become a determining factor in the insurance product recommended by an intermediary.

IPRC Analysis:

Respondents offered different views on performance-linked benefits. Intermediary respondents noted that performance-linked benefits offered by insurers do not influence their advice or recommendations. However, insurers suggested that there are business reasons for offering such benefits. While respondents noted potential benefits and perils of such arrangements, no specific details were provided. The IPRC will consider the lack of consensus on this issue when making recommendations.

Intermediaries require compensation for their work and, clearly, this compensation may influence their actions. Intermediaries entering into loan and other financial arrangements should ensure that they are managing the potential for conflicts of interest.

It can be argued that where a broker or agent can demonstrate that a insurance product sold is suitable and price-competitive, then any conflict of interest resulting from compensation, ownership or financial links is adequately managed. The IPRC believes that potential conflicts of interest that may arise through these incentives and financial arrangements can be managed in a way that is practical, economically sensible, and reflective of best practices.

5. Is the current level of disclosure to insurance consumers adequate and consistent across jurisdictions?

Disclosure is a regulatory tool that can be used to address conflicts of interest or potential conflicts of interest. The fundamental premise underlying disclosure is that a sales intermediary has the responsibility to ensure that his/her client is informed of potential conflicts between the intermediary's interest and the client's interest. The discussion paper asked whether disclosure requirements should be enhanced.

Comments Received:

Fifty-three respondents provided comments on disclosure. While almost all respondents recognized the need for disclosure to consumers, there was considerable difference of opinion on what constituted adequate and meaningful disclosure.

- Nine respondents, including three insurers, two insurer associations, three intermediary associations and one self-regulatory organization, suggested that existing industry and association codes of conduct and disclosure requirements made any additional disclosure redundant and unnecessary.

- Eight respondents, including two insurers, one insurer association, three intermediary associations, and two intermediaries, pointed out that insurance consumers already receive a great deal of information at point of sale and that additional prescriptive and detailed disclosure requirements would be ineffective or lead to confusion and costly service delivery models.
- One consumer association noted a lack of uniformity of existing disclosure requirements from jurisdiction to jurisdiction and deficiencies in the elements of disclosure that make many consumers unaware of the existence of contingent commissions, sales incentives and financial relationships.

IPRC Analysis:

There appears to be general agreement among respondents that certain disclosure by intermediaries is necessary as a best practice in managing potential conflicts of interest. Some respondents expressed the view that harmonization of disclosure requirements would be beneficial to consumers and industry alike. However, if an actual or potential conflict of interest cannot be managed adequately by disclosure, then it will be necessary to consider whether the underlying business activity giving rise to the actual or potential conflict of interest needs to be regulated.

Appendix 1 illustrates how mandatory disclosure requirements vary significantly across Canada. Some industry associations have also developed voluntary measures. The IPRC recognizes that adherence to voluntary initiatives and industry codes of conduct regarding disclosure measures may be difficult to monitor or enforce. Consistency of disclosure requirements is also of concern to the IPRC.

The IPRC will consider strategies and options in promoting disclosure as a best practice in managing conflicts of interest. The role of documented product suitability recommendations by the agent or broker to address the client's needs and to outline the extent of market search will be explored further by the IPRC. If consumers are given the opportunity to understand the extent of market searches done by the intermediary, they can decide if further search (for example, for a more competitive price) is required. The IPRC would welcome views on potential implications of disclosing market searches for a competitive and efficient insurance market in the long term.

3. Conclusion of Fact Gathering and Next Steps

This paper has been prepared to summarize comments received and provide analysis. The IPRC was pleased to receive responses from a broad range of stakeholders and appreciated their assistance in this fact gathering review. The issues are complex.

The AMF recognizes the importance of harmonized legislation and continues to collaborate with CCIR and CISRO members on the consultation on relationships between insurers, brokers and agents. The AMF is also considering input provided by many stakeholders during a separate consultation process held in Quebec City on September 14 and 15. The AMF will continue its work to adopt solutions appropriate to the Quebec marketplace.

The IPRC will now be turning its attention to the five themes outlined in this paper to determine whether any recommendations should be made. In this stage, the effectiveness of existing regulatory and industry-led standards will be considered. Among other best practices, the IPRC will consider industry disclosure initiatives and will also look for opportunities to harmonize best practices. If recommendations are made by the IPRC, there will be further consultations in the coming months. The IPRC will report back to CCIR and CISRO at their 2006 Spring meetings.

The IPRC welcomes any additional information related to best practices in managing conflicts of interest.

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Appendix 1 – Disclosure Requirements for Insurance Intermediaries – Canadian jurisdictions

Appendix 2 – Priority of the Client’s Interest Provisions

Appendix 1 - Disclosure Requirements for Insurance Intermediaries – Canadian Jurisdictions

Note: Not all jurisdictions have separate requirements for each type of intermediaries. The chart includes requirements from statutes / regulations and insurance council codes / by-laws (if any).

Jurisdiction	Commission (Compensation)	Other remuneration / benefit	Fees	Names of insurers represented	Ownership, financial or other business interest, relationship
B.C.	✓ ¹	✓	✓ ²	✓	✓
Alberta	✓ ³		✓ ⁴		
Saskatchewan					
Life		✓ ⁵	✓ ⁶	✓ ⁷	✓ ⁸
P & C			✓		
Manitoba					
Ontario					
Life ⁹	✓	✓		✓	✓
P&C ¹⁰	✓	✓	✓	✓	✓
Quebec					
Insurance representative ¹¹	✓ ¹²	✓	✓ ¹³	✓	✓
Damage Insurance [property and casualty] Brokers (in addition to the above)			✓ ¹⁴		
New Brunswick					
Nova Scotia					
Prince Edward Island					
Newfoundland				✓ ¹⁵ (Auto insurance)	
Yukon					
Northwest Territories					
Nunavut					

¹ Section 3(1) of the Marketing of Financial Products Regulation under the Financial Institutions Act: “A financial institution or the agent of a financial institution must, at the time of providing a service or product to a customer, disclose to the customer (a) the name of the financial institution whose service or product is being provided,

(b) the relationship between the financial institution and the person or agent offering to provide the service or product, and
(c) whether commission or compensation is to be paid by the financial institution to the person or the agent offering to provide the service or product.

² Section 7.3.5 of the British Columbia Insurance Council Code of Conduct: "Prior to conducting a transaction, you must disclose any fees you charge in addition to the policy premium. The fee should be disclosed in writing to the client and include separate dollar values for the total insurance premium charged by the insurer, the total additional fee charged by the agent and any premium finance fees charged by the agent."

³ Section 15(4) of the Insurance Agents and Adjusters Regulation says "Where a holder of a restricted certificate receives any compensation, inducement or benefit from an insurer, directly or indirectly, for selling insurance, the holder of a restricted certificate must disclose that fact to any person who is considering buying insurance from that holder".

⁴ Section 505 of the Insurance Act says "In this section fee does not include the premium payable under a contract of insurance. No insurance agent may charge or collect a fee for providing a service to a person who is or is in the process of acquiring insurance through the agent unless the person has agreed in writing before the service is provided to pay the fee".

⁵ In respect to financial planning services rendered or products provided. See Section 13 (c) of the Life Insurance Council By-Law.

⁶ If an agent is going to charge a fee over-and-above the commission normally earned then that must be disclosed to the client / consumer. See Section 14 (p) of the Life Insurance Council By-Law.

⁷ Only when clients / consumers are approached by the individual acting as a financial planner / advisor. See Section 13 (c) of the Life Insurance Council By-Law.

⁸ Only when clients / consumers are approached by the individual acting as a financial planner / advisor. See Section 13 (c) of the Life Insurance Council By-Law.

⁹ Regulation 347/04 contains a general disclosure of conflicts of interest or potential conflict of interest requirement in Ontario. The elements of compensation (not the amount), other remuneration, and ownership and other financial interests may need to be disclosed if they pose a conflict of interest or potential conflict of interest.

¹⁰ Regulation 991 under the Registered Insurance Brokers Act contains a general disclosure of conflicts of interest or potential conflict of interest requirement. The Registered Insurance Brokers of Ontario (RIBO) issued Guidelines setting out a number of factors that may give rise to a conflict of interest or potential conflict of interest. The Insurance Act requires a broker to provide to an applicant for insurance the names of all the insurers with whom the broker has an agency contract relating to automobile insurance and all information obtained by the broker relating to quotations on automobile insurance for the applicant. An agent must inform an applicant for automobile insurance of the insurer or the insurers within an affiliated group of insurers that the agent represents. The broker or agent must provide the information in writing if requested. In addition, the industry co-operative measures require disclosure of insurers by class and range of commissions.

¹¹ All insurance intermediaries.

¹² Where representatives require compensation from the persons with whom they transact business, they must disclose to the client the fact that they also receive remuneration for the products sold and the services rendered and any other benefit.

¹³ The disclosure by a representative who claims fees must be given in writing before or at the same time services are rendered.

¹⁴ A p & c broker must notify his/her client of all costs that are not included in the amount of insurance premium.

¹⁵ An applicant for auto insurance or an insured can ask the agent / broker to put in writing the markets they represent and the quotes they received from each market.

Appendix 2 – Priority of the Client’s Interest Provisions

The chart below summarizes provisions related to the priority of the client’s interest from select industry associations and self-regulatory organization codes.

Organization	Source / Code	Provisions
Joint Forum of Financial Market Regulators	<i>Principles and Practices for the Sale of Products and services in the Financial sector</i>	1. Interests of the Client The client’s interests take priority over the intermediary’s interests and should not be sacrificed to the interests of others. Commentary: This principle is paramount. All remaining principles and practices expand upon this fundamental principle.
Advocis	<i>Code of Professional Conduct</i>	1. An Advocis Member shall act with integrity. 3. An Advocis Member shall act diligently. 5. An Advocis Member shall act in a client's best interests. 6. An Advocis Member shall disclose any conflict of interest in providing products and services.
Advocis	<i>Code of Professional Conduct Explanatory Notes</i>	Principle 1 -- Integrity An Advocis Member shall act with integrity. <ul style="list-style-type: none"> • An Advocis Member's personal and professional integrity is the foundation for public trust in the Advocis Member. • Integrity demands honesty, trustworthiness and candor, which must not be compromised for an Advocis Member’s personal gain or advantage. • Within the principle of integrity, allowance can be made for innocent error and legitimate difference of opinion. • Integrity cannot co-exist with deceit or dishonesty. • An Advocis Member performing with integrity shall be conscientious, honest, and thorough in providing services.

Organization	Source / Code	Provisions
		<p>Principle 3 -- Diligence An Advocis Member shall act diligently.</p> <ul style="list-style-type: none"> • Diligence is the degree of attention or care expected of an Advocis Member. • An Advocis Member shall provide products and services promptly and efficiently, taking care to be accurate and thorough. • Diligence also requires an Advocis Member to properly supervise any employee who is providing services to clients. <p>Principle 5 -- Priority of Client's Interests An Advocis Member shall act in a client's best interests.</p> <ul style="list-style-type: none"> • An Advocis Member shall act in a manner that places the client's interests above an Advocis Member's own interests. • An Advocis Member shall be objective in serving a client's interests. <p>Principle 6 -- Full Disclosure of any Conflict of Interest An Advocis Member shall disclose any conflict of interest in providing products and services.</p> <ul style="list-style-type: none"> • An Advocis Member shall seek to avoid any conflict of interest in providing products and services. • An Advocis Member shall disclose any relationship or non-confidential information, past or present, which may be seen to affect an Advocis Member's judgment in providing products and services.
<p>Independent Financial Brokers of Canada (IFB)</p>	<p><i>Code of Ethics</i></p>	<p>1. Interests of Client It is paramount that a broker shall place the interest of his/her client ahead of all other interests.</p> <p>2. Needs of Client Before giving advice or making recommendations, a broker shall make a diligent effort to learn the client's needs, objectives and circumstances, and to then offer products or services to fulfill them.</p>

Organization	Source / Code	Provisions
		<p>A broker must not recommend the replacement of any insurance policy unless he/she believes that such a replacement is in the best interest of the client.</p> <p>8. Conflicts of Interest A broker must disclose to a prospective buyer of life insurance all conflicts of interest associated with any recommendations and transactions and the client should then be given the opportunity to halt the transaction, to seek professional advice or complete the transaction.</p> <p>9. Behaviour A broker must act in good faith at all times, and meet high standards of professional ethics, including acting with honesty, integrity, fairness, due diligence and skill. He/she may not engage in behaviour that is likely to be detrimental to the public professional image of insurance, mutual fund or other financial brokers.</p> <p>A broker must deal directly with all formal and informal complaints or disputes, or refer them to the appropriate person or process, in a timely and forthright manner. Complaints must be reported to the errors and omissions insurer as soon as is practicable.</p> <p>10. Independence An IFB broker must maintain his/her independence within IFB membership requirements.</p>
	<p>Statement of Principles of Independent Financial Brokers of Canada</p>	<p>What the Independent Financial Brokers of Canada stands for:</p> <p>4. Within the limits allowed by law, members of the Independent Financial Brokers are required to maintain an arm's length relationship with all insurers with whom they are contracted.</p>

Organization	Source / Code	Provisions
<p>Insurance Brokers Association of Canada (IBAC)</p>	<p><i>Principles and Practices for the Sale of Products and Services by Property and Casualty Insurance Brokers</i></p>	<p>1. Interests of the Client The client's interests take priority over the P&C broker's interests and should not be sacrificed to the interests of others.</p> <p>Commentary: This principle is paramount. All remaining principles and practices expand upon this fundamental principle.</p> <p>4. Professionalism P&C brokers must act in good faith at all times. They must acquire an appropriate level of knowledge relating to their particular business and meet professional ethical standards, including acting with honesty, integrity, fairness, due diligence and skill. The concept of professionalism includes but is not limited to the following:</p> <p>a. Education: In a rapidly changing financial marketplace, P&C brokers must keep abreast of changes in products, regulations and other factors that will affect their ability to provide high standards of service to clients. Education, including continuing education, is a necessary component of professional skill.</p> <p>b. Holding Out: A P&C broker must inform the client of the types of activity he or she is licensed or registered for, as well as the business name(s) of firm(s) under which he or she is authorized to operate.</p> <p>c. Advertising and all other Client Communications: P&C brokers must ensure that all references to their business activities, services and products are clear, descriptive and not misleading.</p> <p>d. Business Operations: P&C brokers must ensure that their financial records are properly maintained and that they follow sound business practices.</p> <p>e. Fair Practices: P&C brokers must not engage in practices that intentionally mislead the client, place the interests of others ahead of the client's interests, or influence a client to purchase an insurance product or service based on anything</p>

Organization	Source / Code	Provisions
		<p>other than its own attributes, including the value of the services of the P&C broker. Unfair practices are contrary to the underlying spirit of the principles and practices set out in this document. The P&C broker must refrain from practices that contravene, directly or indirectly, the spirit or intent of any of the requirements of these principles and practices.</p> <p>f. Financial Accountability: P&C brokers should have appropriate resources in place to compensate clients who suffer a loss as a result of an error or omission. The P&C broker must ensure that all financial obligations are met</p> <p>Commentary: Professionalism means that P&C brokers will strive to adhere to best practices and will not be limited to standards required under law or regulation.</p> <p>6. Conflicts of Interest The P&C broker must avoid knowingly entering into situations where the underlying circumstances could prejudice or bias the direction of advice he or she provides. In the case of a conflict of interest, the client must be made aware of the nature of the conflict.</p> <p>Commentary: If a situation arises where a conflict exists and cannot be avoided, the condition can only be mitigated by objective, plain-language disclosure to the client of the nature and impact of the conflict. The client must then be given an opportunity to halt the transaction, to seek other professional advice, or to knowingly proceed with the transaction.</p> <p>7. General Information Disclosure The P&C broker has the responsibility to ensure that the client is fully informed of all relevant information before the client makes a decision. The client is entitled to disclosure of the risks and benefits of the financial products being considered and information about the P&C broker's business relationships that are relevant to the transaction.</p>

Organization	Source / Code	Provisions
		<p>Commentary: There are two aspects to disclosure and both must be satisfactorily taken into account under these principles and practices: (1) "product information" regarding product or service features, as well as the main risks and benefits inherent in the transaction or purchase; and (2) P&C broker information" regarding relationship issues which are important to the consumer.</p> <p>a. Product Information: The P&C broker must clearly describe the product or service for the client and the ways in which the transaction will fulfil the needs of the client.</p> <p>b. P&C Broker/Business Relationship Information: Upon request by a client and wherever relevant to the transaction, the P&C broker must include the names of organizations or persons that are, to his or her knowledge, directly providing remuneration to the P&C broker. Upon request by a client and where the outcome of a transaction may be influenced, the P&C broker must also disclose the relationship between the P&C broker and the firm whose product is being considered; and any relationship(s) among the firms directly involved in a transaction. The P&C broker should also disclose any other direct or indirect relationships that are relevant to, and may have influence in, the transaction. Upon request by a client and wherever relevant to the transaction, the P&C broker must also disclose all fees payable by the client, the method of the P&C broker's remuneration (disclosure of specific amount is not required, but disclosure of the type of compensation is, i.e., fixed and percentage commission, salary, or other) and must disclose the existence of any other benefits from sales incentive programs related to the transaction (note: as with compensation, this disclosure only applies to the type of compensation the P&C broker receives, not the specific amount).</p>
<p>Insurance Council of B.C.</p>	<p><i>Code of Conduct for Insurance Agents,</i></p>	<p>7. USUAL PRACTICE: DEALING WITH CLIENTS 7.1 PRINCIPLE Under the Code, a client includes anyone who might reasonably be expected, in the circumstances, to rely on your professional advice or actions in relation to his or her</p>

Organization	Source / Code	Provisions
	Salespersons and Adjusters	<p>insurance. You are required to put the best interests of the client as your first concern, as befits the role of a fiduciary.</p> <p>7.2 REQUIREMENT When dealing with clients you must:</p> <ul style="list-style-type: none"> • protect clients' interests and privacy; • evaluate clients' needs; • disclose all material information; and • act with integrity, competence and the utmost good faith. <p>7.3 GUIDELINES CONFLICT OF INTEREST</p> <p>7.3.1 You should not place yourself in a conflict of interest with your client, unless the client has first approved of your conduct after full disclosure of the conflict, preferably in writing.</p> <p>7.3.2 Where there is an irreconcilable conflict between your duty to a client and your other duties as a licensee, you should decline to act in the transaction. For example, if a client asked you to conceal information from an insurer that was material to the risk, you should decline to act.</p> <p>DUTY OF CARE</p> <p>7.3.11 The client's interests take priority over your interests and should not be sacrificed to the interests of others. You must not engage in practices that place the interests of others ahead of the client's interests.</p>
Insurance Brokers Association of B.C.	Code of Ethics	A member will strive to provide the highest possible standard of service which the insuring public is entitled to expect to receive from a well-qualified Brokerage, and will at all times hold the interests of the public paramount.
Insurance Councils of Alberta		The Code of Conduct is not posted on the website.
Independent Insurance Brokers Association of		No Code of Conduct/Ethics posted on website.

Organization	Source / Code	Provisions
Alberta (IIBAA)		
Insurance Councils of Saskatchewan	Life Insurance Council Bylaws	<p>Section 13, subsection (a) states: A licensee shall: (a) carry on business in utmost good faith in conformity with the provisions of these Bylaws and the law of each jurisdiction in which the licensee holds a licence. Utmost good faith shall be interpreted to mean the absence of any concealment or deception however slight. Licensees are by their status, fiduciaries and must act to that standard, and are, therefore, bound by the strict principle of utmost good faith.</p> <p>Section 13, subsection (e) states: A licensee shall: (e) place the interests of policyholders and prospective purchasers before that of the licensee or that of any agency or Insurer.</p>
	General Insurance Council Bylaws	<p>Section 26, subsection (l), subparagraph (b): A licensee shall: (b) act with integrity in all dealings with clients, members of the public, fellow brokers and insurers.</p>
	Proposed Council Bylaws	<p>The Councils are in the process of creating new bylaws. The standard wording under Council Bylaw 8 - Misconduct, will state:</p> <p>(1) For the purpose of the Act, regulations and bylaws, misconduct is a question of fact but any matter, conduct or thing, whether or not disgraceful or dishonorable, that is contrary to the best interests of the consumer or licensees or insurance companies or tends to harm the standing of licensees in the insurance industry is misconduct within the meaning of the Act, regulations and bylaws.</p>
Insurance Brokers Association of		No code of conduct/ethics posted.

Organization	Source / Code	Provisions
Saskatchewan		
Insurance Council of Manitoba	<i>General Insurance Agent Code Of Conduct</i>	<p>SECTION 1 - INTEGRITY</p> <p>AGENTS OR BROKERS SHALL DISCHARGE THEIR DUTIES TO THEIR CLIENTS, MEMBERS OF THE PUBLIC, FELLOW AGENTS OR BROKERS, AND INSURERS WITH INTEGRITY.</p> <p>COMMENTARY:</p> <p>Basic Principles</p> <p>Integrity is a fundamental quality demanded of every insurance agent & broker. If personal integrity is missing, there is little you can do to compensate for its absence or to repair the damage to your reputation. Deliberate wrongdoing and gross neglect are equally reprehensible.</p> <p>Examples</p> <p>Examples of conduct which have been found not to meet this requirement include:</p> <p>(a) Committing any act in the performance of your duties which reflects negatively upon your integrity. (e.g. any act of fraud or dishonesty, such as issuing an unauthorized insurance certificate)</p> <p>(b) Making untrue representations or concealing material facts from a client. (e.g. failing to advise a client that you are unable to provide totally for the client's required insurance needs)</p> <p>(c) Taking improper advantage of a client's inexperience, lack of education, youth, lack of sophistication, unbusinesslike habits or ill health.</p> <p>(d) Misappropriating or dealing dishonestly with your client's money or other monies</p>

Organization	Source / Code	Provisions
		<p>deemed to be held in trust by you.</p> <p>(e) Failing to be absolutely frank and candid in all of your dealings with insurers, fellow agents & brokers, and other parties of interest, subject to the legal rights and confidences of your client.</p> <p>(f) Discouraging clients from making legitimate insurance claims, or delaying them from being presented, in a manner which may prejudice the client's best interest or for reasons which may serve the interests of the agent or broker. (e.g. delaying a claim into the new year to preserve the agent's or broker's contingent earnings from the insurer)</p> <p>(g) Conviction of a criminal offense which brings into question your professional integrity or competence to act as an agent or broker, even if unconnected with your work as an agent or broker.</p> <p>(h) Placing yourself in a conflict of interest with your client. (See Section 4 for further information)</p> <p>SECTION 4 – ADVISING CLIENTS</p> <p>AGENTS OR BROKERS SHALL BE BOTH CANDID AND HONEST WHEN ADVISING CLIENTS.</p> <p>COMMENTARY:</p> <p>Scope of Advice</p> <p>Recommendations to clients shall be complete, open and clear.</p> <p>You must indicate in detail, the facts and assumptions upon which your recommendations are based. You must study the risk in sufficient detail to provide</p>

Organization	Source / Code	Provisions
		<p>the client with sufficient information with which to make an informed decision.</p> <p>Disclosure of Markets</p> <p>If you can offer only one company's quote to a prospective client, there is a duty upon you to make this limitation known before accepting and before placing any business on the clients behalf.</p> <p>Product Disclosure</p> <p>You have an obligation to inform your clients at all times about all aspects of the insurance products they have purchased including any changes affecting a policy which occur during the policy term. In addition, you must observe all relevant laws relating to public protection and disclosure of information to clients. Anyone dealing with unlicensed insurers must hold a "Special Brokers Licence" to deal with unlicensed insurers pursuant to the Insurance Act.</p> <p>Conflict of Interest</p> <p>In addition, you must not place yourself in a conflict of interest with your client unless your client approves of your intended conduct after you have openly, honestly and fully disclosed the existence of a conflict of interest. Where you receive any form of incentive or bonus for placing business with an insurer, this must be disclosed to your client if it is a factor in recommending that insurer over another at the client's expense or detriment.</p> <p>This requirement does not apply to direct writing agents who act exclusively for one company.</p>
	<p>Life Insurance Agent Code Of Conduct</p>	<p>1. PRIORITY OF POLICYOWNER INTERESTS</p> <p>AN AGENT SHALL PLACE THE INTERESTS OF POLICYOWNERS AND PROSPECTIVE PURCHASERS BEFORE HIS OR HER OWN.</p>

Organization	Source / Code	Provisions
		<p>It is self evident that any practitioner must place clients' interests first. This requires the highest level of integrity and performance on the part of the agent.</p> <p>In practical terms, this stipulates that an agent must recommend the amount and type of life insurance that is best for the purchaser's circumstances. The commission to be obtained from making the sale should have absolutely no bearing upon the agent's advice to the policyowner or prospective purchaser.</p> <p>2. CONFIDENTIAL INFORMATION</p> <p>AN AGENT SHALL RESPECT THE CONFIDENCE OF ALL POLICYOWNERS AND PROSPECTIVE PURCHASERS REGARDING THEIR PERSONAL AND BUSINESS AFFAIRS.</p> <p>In the course of an agent's work, extensive information concerning the personal and financial affairs of policyowners and prospective purchasers must be obtained. This places an agent in a position of trust and responsibility. It is completely unethical to betray this trust in any respect.</p> <p>An agent shall not discuss or disclose any information concerning a policy owner or prospective purchaser's personal and business affairs except with the written permission of the policy owner or prospective purchaser, or where the agent is required to disclose the information by law.</p> <p>3. MISREPRESENTATION</p> <p>AN AGENT SHALL NOT MAKE ANY FALSE OR MISLEADING STATEMENT OR REPRESENTATION AND SHALL PROVIDE COMPLETE DISCLOSURE IN THE COURSE OF SELLING OR SERVICING LIFE INSURANCE.</p>

Organization	Source / Code	Provisions
		<p>An agent is obligated to disclose, accurately and completely, all information required by a policyowner or prospective purchaser in order to determine the best course of action.</p> <p>An agent is called upon daily to make many statements and representations, oral or written, on which policyowners and prospects are entitled to rely. Such statements and representations must not only be accurate but must be complete. This should prevent any wrong or misleading conclusions being drawn by policyowners and prospective purchasers.</p> <p>An agent is also obliged to disclose, accurately and completely, all information required by an insurer to enable a decision to be made regarding the issuance of a contract of life insurance.</p> <p>It is just as wrong for an agent to omit essential information or to fail to correct a mistaken impression known to exist, as it is to give inaccurate or misleading information.</p> <p>5. SHARING OF COMPENSATION</p> <p>AN AGENT SHALL NOT SHARE COMPENSATION EARNED FROM THE SALE OF LIFE INSURANCE WITH ANY PERSON(S) WHO DO NOT HOLD AN AGENT'S LICENCE.</p> <p>In no circumstances shall an agent make a gift of value or monetary payment to an unlicensed person as a share of the compensation earned in the sale of life insurance.</p> <p>Gifts or payments that vary according to the amount of compensation earned, from a referral, will expose an agent to a charge of sharing compensation with a person</p>

Organization	Source / Code	Provisions
		<p>who does not hold an agent's licence. If the person receiving the gift and/or monetary payment were found to have been in a position to influence the purchase of the life insurance contract, a charge of rebating may also be applicable.</p> <p>10. GOOD FAITH AND COMPLIANCE WITH LAW</p> <p>AN AGENT SHALL CARRY ON BUSINESS IN UTMOST GOOD FAITH IN CONFORMITY WITH THE PROVISIONS OF THE INSURANCE ACT AND REGULATIONS, THIS CODE, AND THE LAW IN EACH JURISDICTION IN WHICH THE AGENT HOLDS A LICENCE.</p> <p>The standard of utmost good faith shall include, without limitation, the absence of any concealment or deception, however slight.</p>
<p>Insurance Brokers Association of Manitoba</p>	<p><i>Code of Ethics</i></p>	<p>Rules of Professional Conduct I will always put the legitimate interest of my clients and my loyalty to them before my own profit.</p>
<p>Registered Insurance Brokers of Ontario</p>	<p><i>Regulation 991 under the Registered Insurance Brokers Act</i></p>	<p>14. All members shall act as insurance brokers in accordance with the following code of conduct:</p> <ol style="list-style-type: none"> 1. A member shall discharge the member's duties to clients, members of the public, fellow members and insurers with integrity. 3. A member shall serve the member's client in a conscientious, diligent and efficient manner and shall provide a quality of service at least equal to that which members would generally expect of a member in a like situation. 4. A member shall be both candid and honest when advising the member's client. 9. A member shall encourage public respect for and try to improve the

Organization	Source / Code	Provisions
		<p>practice of the member's vocation.</p> <p>10. A member shall make the member's services available to the public in an efficient and convenient manner which will command respect and confidence and which is compatible with the integrity, independence and effectiveness of the member's vocation.</p> <p>13. A member's conduct towards other members, members of the public, insurers and the Corporation shall be characterized by courtesy and good faith.</p>
<p>Insurance Brokers Association of Ontario (IBAO)</p>	<p><i>IBAO Code Of Ethics For Members</i></p>	<p>1. I will discharge my responsibilities to the public, fellow members, insurers and others in an honest, conscientious and diligent manner.</p> <p>2. I will endeavour to provide quality service and perform in a professional and competent manner.</p> <p>3. I will endeavour to serve my clients' interests with insurance coverages best suited to their needs, uninfluenced by my basis of remuneration.</p> <p>6. My conduct toward others shall be characterized by courtesy and utmost good faith in such a way as to enhance public respect and improve the practice of my vocation.</p>
<p>Quebec Chambre de la sécurité financière (CSF)</p>	<p><i>Code of Ethics</i> [For representatives in the sectors of insurance of persons, group insurance of persons and financial planning (non-member of a professional association)]</p>	<p>Division 3 Duties and Obligations Towards Clients</p> <p>17. A representative must, in the practice of his profession, always remain independent and avoid any conflict of interest.</p> <p>19. A representative must subordinate his personal interests to those of his clients or any potential client. Without limiting the generality of the foregoing, the representative:</p> <ul style="list-style-type: none"> - may not advise a client to invest in a legal person, partnership or property in which he has, directly or indirectly, a significant interest; - may not conduct any transaction or enter into any agreement or contract whatsoever with a client who, manifestly, is unable to manage his affairs, unless the decisions to conduct these transactions or enter into these agreements or contracts are made by persons who may legally decide in lieu of his clients; - may not conduct any transaction or enter into any agreement or contract

Summary of Responses: Achieving Best Practices

Organization	Source / Code	Provisions
		<p>whatsoever in the capacity of representative with respect to a client for whom he acts as dative tutor, curator or adviser within the meaning of the Civil Code.</p> <p>20. A representative must be objective when his client or any potential client asks him for information. He must express opinions and make recommendations objectively and impartially, without considering his personal interest.</p> <p>21. A representative must ignore any intervention by a third party that could influence the way in which he performs the duties he related to his practice to the detriment of his client or any potential client.</p>
Insurance Brokers Association of Nova Scotia	Code of Ethics [applicable to securities representatives]	2. A representative shall show loyalty towards his client whose interests shall be the utmost priority when he makes a trade on his behalf.
Insurance Brokers Association of New Brunswick	Code of Ethics	I will endeavour to serve my clients' interests with insurance coverages best suited to their needs, uninfluenced by my basis of remuneration.
Insurance Brokers Association of Prince Edward Island		(e) a member acknowledges certain obligations: first, to the insuring public; second, to insurers; and third, to other members;
Insurance Brokers Association of Newfoundland		No published code of conduct/ethics.
Mutual Fund Dealers'	Rules	2.1.4 Conflicts of Interest (a) Each Member and Approved Person and other employee and agent of a

Organization	Source / Code	Provisions
Association (MFDA)		<p>Member shall be aware of the possibility of conflicts of interest arising in connection with business conducted by them for a client. In the event that such a conflict or potential conflict of interest arises, the Member shall ensure that it is addressed by the exercise of responsible business judgment influenced only by the best interests of the client and in compliance with Rules 2.1.4(b) and (c).</p> <p>(b) Any conflict of interest that arises or can reasonably be expected to arise as referred to in Rule 2.1.4(a) shall be immediately disclosed in writing by the Member to the client prior to the Member, or any person acting on its behalf in connection with its business, conducting business for the client.</p> <p>(c) Each Member shall develop and maintain written policies and procedures to ensure compliance with Rules 2.1.4(a) and (b).</p>
Investment Dealers Association of Canada (IDA)	<i>By-laws 1.1 and 29, Conflicts of interest and client priority – Proposed Rules</i>	<p>The Association does not currently have rules dealing with conflicts of interest. Policy No. 11, which became effective February 1, 2004, dealing with analyst research restrictions and disclosure requirements, contains rules that Members must follow when issuing research reports and deals with conflicts of interest in that context. There is also a common-law duty on the salesperson to act in good faith and put the client's interests ahead of his or her own. Below is the current client priority rule:</p> <p>By-law No. 29 Business Conduct 29.3A. A Member shall give priority to orders for the accounts of customers of the Member over all other orders for the same security at the same price. The phrase "orders for the accounts of customers of the Member" shall not include an order for an account in which the Member or an employee of the Member has an interest, direct or indirect, other than an interest in a commission charged.</p> <p>The proposed Rules will require disclosure of pro group holdings when (i) a Member has entered into any agreement, commitment or understanding with an issuer to act as advisor, agent or underwriter or as a member of a selling group in respect of that issuer's private placement or public offering and (ii) the pro group holdings of the Member exceed ten percent of the outstanding securities of the issuer.</p>

Organization	Source / Code	Provisions
		<p>The proposed Rules also include a general disclosure provision in 29.31 designed to catch obvious cases of conflicts of interest beyond the areas of private placements and public offerings when a reasonable client would consider the conflict important in making an investment decision. A Member Regulation Notice will give guidance as to what types of situations would be caught by the general provision, triggering disclosure. For example, disclosure would be required with respect to any security being recommended when an employee or that employee's spouse (or spousal equivalent) is a partner, director or officer of the issuer of the security.</p> <p>29.31. General Conflicts Every Member shall also ensure disclosure of conflicts of interest is made to its clients in situations not addressed by the scope of this By-law or Policy No. 11 in which there is a substantial likelihood that a reasonable client would consider the conflict important in making an investment decision.</p>
<p>Canadian Securities Administrators (CSA)</p>	<p>81-101 Mutual Fund Prospectus Disclosure</p>	<p>Item 11: Conflicts of Interest</p> <p>11.1 Principal Holders of Securities</p> <p>(1) The information required in response to this Item shall be given as of a specified date within 30 days before the date of the annual information form.</p> <p>(2) Disclose the number and percentage of securities of each class or series of voting securities of the mutual fund and of the manager of the mutual fund owned of record or beneficially, directly or indirectly, by each person or company that owns of record, or is known by the mutual fund or the manager to own beneficially, directly or indirectly, more than 10 percent of any class or series of voting securities, and disclose whether the securities are owned both of record and beneficially, of record only, or beneficially only.</p>

Organization	Source / Code	Provisions
		<p>(3) For any entity that is named in response to subsection (2), disclose the name of any person or company of which that entity is a "controlled entity".</p> <p>(4) If any person or company named in respect of subsection (2) owns of record or beneficially, directly or indirectly, more than 10 percent of any class of voting securities of the principal distributor of the mutual fund, disclose the number and percentage of securities of the class so owned.</p> <p>(5) Disclose the percentage of securities of each class or series of voting or equity securities beneficially owned, directly or indirectly, in aggregate, by all the directors, senior officers and trustees</p> <p>(a) of the mutual fund</p> <p>(i) in the mutual fund if the aggregate level of ownership exceeds 10 percent,</p> <p>(ii) in the manager, or</p> <p>(iii) in any person or company that provides services to the mutual fund or the manager; and</p> <p>(b) of the manager</p> <p>(i) in the mutual fund if the aggregate level of ownership exceeds 10 percent,</p> <p>(b) of the manager</p> <p>(i) in the mutual fund if the aggregate level of ownership exceeds 10 percent,</p> <p>(ii) in the manager, or</p> <p>(iii) in any person or company that provides services to the mutual fund or the manager.</p>