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Reference Document:
ADVISOR DISCLOSURE

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Advisor Disclosure

When a consumer is considering the purchase of a life or health insurance product, it is important that they have good information about the product, how it meets their needs, the company offering the product, and the advisor and the advisor's business relationships. This document focuses on disclosure about the advisor which should be given in writing to the client prior to the sales transaction.

The attached chart provides commentary and suggested wording for the seven key disclosure items that should be included. It also provides notes **(in bold)** about regulatory disclosure requirements as well as suggestions from the Joint Forum of Financial Market Regulators' 2005 "Principles and Practices for the Sale of Products and Services in the Financial Sector". The objective, in all cases, is to provide consumers with good and meaningful disclosure.

The suggested wording for each disclosure requirement is intended for illustration purposes and to provide a good starting point. Each advisor can, of course, tailor it to suit their own situation while still meeting the minimum disclosure requirements. Samples showing how this wording can be used are attached in Appendix 1.

Regardless of what disclosure is made and how it is made, advisors should have documentation in their client files that provides evidence that the appropriate disclosure has been made.

This document was developed in cooperation with Advocis, the Independent Financial Brokers of Canada and the Canadian Association of Independent Life Brokerage Agencies.

Adherence to these disclosure practices supports the principles for managing conflicts of interest adopted by the Canadian Council of Insurance Regulators (CCIR).

Disclosure Item	Considerations	Sample Wording
1. Licence and jurisdiction	• licence(s) held • firm distributed through * * * * * • **Quebec requires agents to disclose names of insurers whose products they are authorized to offer [R.S.Q.c.D-9.2, s.31] and, when making an offer of a particular product, to disclose the firm being represented [s.14].**	*I am licensed as a life and health insurance agent in <province(s)>. [In Quebec, provide a list by licence class.]* *I am also licensed/registered in the following fields:* *For insurance products, I place business through <distribution firm>. For <other products>, I place business through <distribution firm>.*
2. Company(ies) that the advisor represents	• Should identify those companies with which the advisor places significant business. • Should reflect the advisor's profile of business placement (for instance, a listing of 25 companies that the advisor is contracted with may not be meaningful if most business is placed with only 3 companies; disclosure that focuses on those companies used regularly, while making the full listing available, may be more useful; note that Ontario and Quebec require disclosure of all insurers the advisor represents). • Could be along product lines. • Should not be excessively complex. * * * * * • **Ontario requires that advisors disclose in writing the name of all insurers and providers of financial products or services that the advisor represents [O.Reg 347, s.15(1), 15(2)].** • **BC requires that advisors disclose the name of the financial institution providing the financial products or service that the consumer has chosen [BC Reg 573/2004, s.3(1)(a)].**	*I represent several insurers, but I place the majority of my business with:* *<list of insurers>* *[For Ontario and Quebec where a complete list of companies is required, attach it to the letter if the list of companies is long] Attached to this letter is a complete list of the companies I represent* ***or*** *I have an exclusive relationship with and offer a full range of insurance and investment products from <company>.* *[Optional for products from other companies] I'm also allowed to offer products from:* *<list of companies>*

Disclosure Item	Considerations	Sample Wording
	• **Quebec requires agents to disclose names of insurers whose products they are authorized to offer [R.S.Q.c.D-9.2, s.31] and, when making an offer of a particular product, to disclose the firm being represented [s.14].** • **The Joint Forum suggests that advisors provide the names of organizations directly providing remuneration to the advisor** (e.g. MGA, other insurers, referral arrangements, etc.)**.**	
3. Nature of relationship with company(ies) represented (as noted in #2, above)	• What does the consumer need to know about the advisor's relationship to understand if there are factors that may influence the advice given? • Does the advisor deal exclusively with one company? (see suggested sample wording in #2). • Does an insurance company have any ownership interests in your agency that you are aware of? If so, disclose. Alternatively, do you have any ownership interests in an insurance company? If so, disclose your ownership interests above a threshold of 10%. • Are there are any other factors of the business relationship that are germane to the consumer's understanding of any biases that could affect advice? * * * * * • **Quebec requires that agents disclose any business relationships (if an insurer holds any indirect or direct interest in the ownership of the firm) [R.S.Q.c.D-9.2, s.26].** • **Quebec requires that if an agent is bound by exclusive contract with a single insurer, that must be disclosed [R.S.Q.c.D-9.2, s.32].** • **B.C. requires that agents disclose the relationship between the financial institution and the agent offering to provide the service or product [BC Reg 573/2004, s.3(1)(b)].**	***If no ownership situation exists:*** *No insurer holds an ownership interest in my business. I don't hold a significant interest in any insurance company.* ***If there is an ownership situation:*** *<Insurer(s)> has a significant ownership interest in my business.* ***and/or*** *I have a significant ownership interest in <insurer>.*

Disclosure Item	Considerations	Sample Wording
	• **The Joint Forum of Financial Market Regulators suggests that the advisor disclose the relationship between him/herself and the firm whose product is being considered and any relationships among firms directly involved in a transaction.**	
4. How the advisor is compensated	• What information is needed for the consumer to understand the basic business relationship between advisor and insurer with respect to compensation? • The level of disclosure should provide consumer with basic understanding of how advisor is paid. • Specific dollar amounts not required. • If an advisor is placing business through an MGA and will be receiving compensation from both an insurer and the MGA, this should be disclosed. • This disclosure is also necessary for ASO-type sales. * * * * * • **BC requires disclosure of whether commission or compensation is to be paid by the financial institution to the agent offering to provide the service or product [BC Reg 573/2004, s.3(1)(c)].** • **Quebec requires that if an advisor will receive compensation from the insured, they must disclose the fact that they will also receive remuneration for the products sold [R.S.Q.c.D-9.2, s.17].** • **The Joint Forum suggests disclosure of the method of remuneration, any fees payable by client, and sources of "direct" compensation.**	*I am compensated by a sales commission on policies I sell and I may also receive a renewal (or service) commission on policies that remain active. Commissions are paid by the company that provides the product you purchased.*

Disclosure Item	Considerations	Sample Wording
5. If the advisor may be eligible for additional compensation (cash or non-monetary, such as travel incentives) based on other factors (e.g., volume of business placed in specific period of time)	• This builds on #4 to provide disclosure about the fact of possible additional compensation and other incentives. • Although not a disclosure requirement, you should note that Quebec restricts conference incentives to those with a training focus. • The 2016 CLHIA Paper on Insurance Distribution in Canada highlights parameters for conference/travel incentives, as follows: o For exclusive sales forces, insurers may pay for conferences with professional content and related travel/accommodation o For independent sales forces, insurers may pay for conferences with professional content o For independent sales forces, distribution firms (e.g., MGAs) may pay for conferences with professional content and related travel/accommodation provided there is no incentive to recommend one insurer's product over another * * * * * • **Quebec prevents advisors from participating in contests or promotions as an incentive to sell a product unless the product meets the specific needs of the client [R.Q.c.D-9.2, r.l.3, Div III 5].** • **Further to the above, Quebec allows an advisor to be reimbursed for the costs of attending a conference or convention provided its main purpose is training [R.Q.c.D-9.2, r.l.3, Div III 5].** • **The Joint Forum suggests disclosure of any other benefits from sales incentive programs related to the transaction.**	*If my sales reach a certain level, I may be eligible for additional compensation, such as bonuses, and other benefits, such as conferences.*

Disclosure Item	Considerations	Sample Wording

6. Conflicts of interest	• What information does the consumer need to assess whether or not a conflict of interest may be influencing the advice being given?
	
	• Note that the need to disclose conflicts of interest applies on an ongoing basis, with respect to each recommendation or transaction (and not just on an account-opening basis).
	
	• In determining whether or not a perceived conflict might exist which would require disclosure, the advisor should consider:
	
	  • Would your advice or product offered have been different if the situation or incentive giving rise to the potential conflict of interest did not exist?
	
	  • Would it appear to a reasonable, informed third party looking at all the facts that you acted in the best interest of your client?
	
	• Some perceived conflicts could be company relationships (i.e. if an ownership interest exists) or the very fact of compensation, both of which have already been covered (in #3 and #4).
	
	• Loans from an insurer are another possible perceived conflict. A loan should be defined as a contractual arrangement which includes interest rates and a repayment schedule.
	
	• Charge-backs of commissions do not auto-matically constitute a conflict of interest. If the advisor has a charge-back, they would need to ask themselves the two questions noted above to assess whether there is a conflict or perceived conflict requiring disclosure.
	
	• Also included would be perceived conflicts associated with familial, personal, or professional relationships with the client; occupations; or other situational circumstances.
	
	* * * * *
		For no conflict:
		
		I confirm that I have no conflict of interest. If I become aware of a potential conflict, I will tell you.
		
		***For a conflict related to another occupation**:*
		
		My position/profession as _____ may be perceived to be a potential conflict of interest with respect to my recommendations to you. However, I confirm that my recommendations will be based on my assessment of your needs.
		
		For a conflict other than through compensation arrangements or other occupations (e.g. loan arrangements):
		
		The following situation may be perceived to be a potential conflict of interest. However, I confirm that my recommendations will be based on my assessment of your needs.
		
		_____
		_____
		_____

Disclosure Item	Considerations	Sample Wording
	• **Ontario -- must provide written disclosure of any conflicts of interest [O.Reg 347, s.16].** • **Manitoba - if advisors are in a conflict of interest situation then they must avoid the conflict or remove themselves from the transaction, regardless of disclosure. [Manitoba Insurance Council Conflict of Interest Guidelines].** • **Saskatchewan - as soon as a licensee becomes aware of an actual or perceived conflict of interest, the licensee must disclose the conflict to their client. Documentation of the conflict, including documentation of the client's written approval to proceed, must be put in place immediately. [Life Insurance Council of Saskatchewan Agent Code of Conduct]** • **Alberta – conflict is based only on prohibited occupations and the conflict situation must be avoided, regardless of disclosure [AR 122/2001, s. 5(1)(g) and 5(2)(f)].** • **BC -- it is unethical for agents to place themselves in a conflict of interest with a client unless the client has approved of the conflict after full disclosure of the conflict, preferably in writing [Insurance Council of BC Code of Conduct for Insurance Agents, Salespersons and Adjusters, 1999, p.15].**	
7. Consumer has right to ask for more information		*If you need more information about my qualifications or business relationships, contact me. I would be happy to help.*
Other information that you might wish to include: • signature of agent • signature of client		

Appendix 1

SAMPLE DISCLOSURE STATEMENTS

Following are two sample disclosure statements showing how the "sample wording" in the *Advisor Disclosure Reference Document* can be used.

Independent Agent Sample

Sample #1 could be used by independent agents and provides options for: agents working in Quebec and Ontario (need a listing of all the companies they represent), ownership relationships and conflicts of interest.

Career Agent Sample

Sample #2 could be used by career agents and provides options for: a company that provides product from other insurers to complement its lines, agents working in Quebec and Ontario (need a listing of all the companies they represent), ownership relationships and conflicts of interest.

Other Samples

Since disclosure statements will vary depending on the circumstances of the advisor, there is no best approach to using the Reference Document. Both Advocis (www.advocis.ca) and the Independent Financial Brokers of Canada (www.ifbc.ca) and CAILBA (www.cailba.com) have sample disclosure statements posted on their websites.

SAMPLE ADVISOR DISCLOSURE #1
Independent Agent with options for Quebec and Ontario, conflict of interest, and ownership relationships

<Date>

Licences & Jurisdictions

I am licensed as a life and health insurance agent in <province(s)>. *[In Quebec provide list by licence class.]*

I am also licensed/registered in the following fields:

For insurance products, I place business through <firm>. For <other products>, I place business through <firm>.

Companies I represent

I represent several insurers, but I place the majority of my business with:

<list of companies>

[For Ontario and Quebec where a complete list of companies is required, attach it to the letter if the list of companies is long]
Attached to this letter is a complete list of the companies I represent.

Relationship with Company(ies) I represent

[For no ownership situation]
No insurer holds an ownership interest in my business. I don't hold a significant interest in any insurance company.

[If there is an ownership situation]
<Insurer(s)> has a significant ownership interest in my business

I have a significant ownership interest in <insurer>.

Compensation

I am compensated by a sales commission on policies I sell and I may also receive a renewal (or service) commission on policies that remain active. Commissions are paid by the company that provides the product you purchased.

If my sales reach a certain level, I may be eligible for additional compensation, such as bonuses, and other benefits, such as conferences.

Conflict of interest

[*No conflict of interest*]
I take the potential of a conflict of interest seriously. I confirm that I have no conflict of interest. If I become aware of a potential conflict, I will tell you.

[*Conflict of interest related to another occupation*]

I take the potential of a conflict of interest seriously. My position/profession as _____ may be perceived to be a potential conflict of interest with respect to my recommendations to you. However, I confirm that my recommendations will be based on my assessment of your needs.

[*Other conflict of interest*]
I take the potential of a conflict of interest seriously. The following situation may be perceived to be a potential conflict of interest. However, I confirm that my recommendations will be based on my assessment of your needs.

More information

If you need more information about my qualifications or my business relationships, contact me. I would be happy to help.

Acknowledgement

I, <*client's name*> have received and reviewed this document. I understand any conflicts of interest or potential conflicts of interest outlined in this document. I am willing to continue working with the advisor.

SAMPLE ADVISOR DISCLOSURE #2
Career Agent with options for products from other companies, Quebec and Ontario, conflict of interest, and ownership relationships

<Date>

Licences & Jurisdictions

I am licensed as a life and health insurance agent in <province(s)>. *[In Quebec provide list by licence class.]*

I am also licensed/registered in the following fields:

Companies I represent

I have an exclusive relationship with and offer a full range of insurance and investment products from <company>.

[*Optional for products from other companies*]

I'm also allowed to offer products from:

<list of companies>
[For Ontario and Quebec where a complete list of companies is required, attach it to the letter if the list of companies is long]
Attached to this letter is a complete list of the companies I represent.

Relationship with company(ies) I represent

[For no ownership situation]
No insurer holds an ownership interest in my business. I don't hold a significant interest in any insurance company.

[If there is an ownership situation]
<Insurer(s)> has a significant ownership interest in my business

I have a significant ownership interest in <insurer>.

Compensation

I am compensated by a sales commission on policies I sell and I may also receive a renewal (or service) commission on policies that remain active. Commissions are paid by the company that provides the product you purchased.

If my sales reach a certain level, I may be eligible for additional compensation, such as bonuses, and other benefits, such as conferences.

Conflict of interest

[*No conflict of interest*]
I take the potential of a conflict of interest seriously. I confirm that I have no conflict of interest. If I become aware of a potential conflict, I will tell you.

[*Conflict of interest related to another occupation*]
I take the potential of a conflict of interest seriously. My position/profession as _____ may be perceived to be a potential conflict of interest with respect to my recommendations to you. However, I confirm that my recommendations will be based on my assessment of your needs.

[*Other conflict of interest*]
I take the potential of a conflict of interest seriously. The following situation may be perceived to be a potential conflict of interest. However, I confirm that my recommendations will be based on my assessment of your needs.

More information

If you need more information about my qualifications or my business relationships, contact me. I would be happy to help.

Acknowledgement

I, <*client's name*> have received and reviewed this document. I understand any conflicts of interest or potential conflicts of interest outlined in this document. I am willing to continue working with the advisor.