



8 July 2021

Mr. Ron Fullan
Chair,
Canadian Insurance Services Regulatory Organizations (CISRO)
25 Sheppard Avenue West, Suite 100,
Toronto, Ontario, M2N 6S6

cisro-ocra@fsrao.ca

Dear Mr. Fullan:

RE: *Principles of Conduct for Intermediaries*

The Canadian Association of Direct Relationship Insurers (CADRI) is the voice of insurance enterprises that offer automobile, home and commercial insurance directly to Canadians. We advocate for flexible and evolving product and service innovation so that Canadians can easily choose insurance that serves their needs through the delivery channels of their choice.

CADRI appreciates the opportunity to comment on CISRO's proposed *Principles of Conduct for Intermediaries* (the *Principles*).

Principle-based and harmonized approach

CADRI commends CISRO for taking a principle-based approach to ensuring that consumers receive clear communications and fair treatment from agents and entities distributing insurance products and services. A principle-based practice enables a company to adapt to regulatory changes in the context of its own policies and procedures.

Moreover, CADRI also lauds CISRO in seeking a uniform set of principles to provide minimum standards across the country. CADRI members are national entities with agents trained for and serving customers in multiple jurisdictions. Harmonized standards streamline training and make sense to customers, who may also hold insurance in more than one geography.

Exemption for FTC-compliant companies

CADRI members have structured, tiered staffing models to ensure excellent supervision of all employees and exclusive agents working both in the office and virtually. Potential applicants undergo thorough background checks. Prior to connecting with customers, agents participate in rigorous training to ensure compliance with regulations, company policies and delivery on commitments to customer service and fair treatment of consumers. After licensing, agents continuously update their skills and knowledge. Thus, the very nature of direct-relationship insurers' corporate structures and internal controls ensures that they comply with regulatory frameworks and protect consumers' interests.

In this context, the *Principles* are compatible with our members' work integrating CCIR-CISRO *Guidance: Conduct of Insurance Business and Fair Treatment of Customers* (FTC Guidance) with their own policies and procedures. Thus, we would encourage individual members of CISRO to consider the employees and exclusive agents of insurers who have already adopted FTC Guidance to have met the equivalent of the *Principles*.

In the absence of an exemption, CADRI encourages CISRO to ensure that the *Principles* conform as closely as possible with FTC Guidance. We further recommend that CISRO members embrace the *Principles* rather than creating additional, new and different codes.

Alignment with FTC Guidance and other rules

Having reviewed the *Principles*, we would like to recommend the following changes to ensure consistency with FTC Guidance and other frameworks:

- The definition of "intermediary" in the CISRO document includes "adjuster." Adjusters are not included in the definition of "intermediary" in the FTC Guidance. Many adjusters are licensed and, therefore, governed by regulators making up CISRO, but most of the *Principles* relate to agents. Adding "adjuster" to the *Principles* has the potential to create confusion. We recommend deleting "adjuster" from the definition.
- Principle 4. Advice says: "If providing advice to or for a Customer, the intermediary must seek **complete** information from the Customer." The FTC Guidance does not use the word "complete" and instead says "... appropriate information should be sought from Customers for assessing their insurance demands and needs." We suggest using consistent wording.
- Principle 5. Disclosure requires intermediaries to "... provide Customers with objective, **complete**, relevant, and accurate information and explanations so that they can make informed decisions." FTC Guidance requires "appropriate information." We suggest removing the word "complete."
- In our opinion, Principle 8. Protection of Personal and Confidential Information would achieve the same aims by simply saying:

"Intermediaries must take the necessary and appropriate measures to protect personal and confidential information. They must comply with all applicable privacy legislation to appropriately manage information."

In our estimation, the proposed Principle 8 is not aligned with existing privacy legislation which outlines that personal information can only be used for purposes which the client has consented to *unless an exception applies* – for instance, in the event of an emergency. Moreover, the proposed principle goes further than any privacy rules we are aware of by introducing the concept of duration. We submit that consents do not have durations, only their purposes do. Information can be kept only so long as the purpose remains valid. Consents can also be withdrawn. Neither changed purpose or withdrawal constitute a duration.

Conclusion

CADRI's members have determined that the *Principles* could co-exist with current practices to ensure customers are treated fairly during the life-cycle of providing property and casualty insurance services.

We recommend CISRO exempts FTC-compliant insurers from the *Principles* and that jurisdictions adopt the final *Principles*, rather than creating new and different codes across the country.

Finally, we have recommended small changes which would align the *Principles* more closely with FTC Guidance.

Once again, thank you for the opportunity to review the proposed *Principles*.

Yours sincerely,



Geoff Beechey
Chair and CEO CADRI

cc:
CADRI Board of Directors
CADRI Market Conduct Task Force
CADRI Licensing Task Force

Thera Medcof, Chair, CISRO Principles Working Group