



INVESTMENT INDUSTRY ASSOCIATION OF CANADA
ASSOCIATION CANADIENNE DU COMMERCE DES VALEURS MOBILIÈRES

October 17, 2011

Ms. Anne-Marie Beaudoin
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Dear Madame Beaudoin:

RE: Regulation to amend the regulation respecting the pursuit of activities as a representative and its concordant regulation (Proposed Draft Regulation)

The Investment Industry Association of Canada (IIAC) appreciates the opportunity to comment on the above noted Proposed Draft Regulation (Proposed Draft Regulation). The IIAC is the professional association representing over 200 investment dealers in Canada. Our mandate is to promote efficient, fair and competitive capital markets for Canada and assist our member firms across the country.

This comment letter has been drafted with the assistance of the IIAC Insurance Committee (Insurance Committee) which consists of members from across Canada, representing a cross-section of firms. The industry professionals on the Insurance Committee are knowledgeable and experienced in the insurance industry and as such have the following comments on the Proposed Draft Regulation.

Regulation to amend the regulation respecting the pursuit of activities as a representative

The Insurance Committee has concerns under sections 2 & 3 with respect to incompatible occupations. We question why chartered accountant continues to be considered an incompatible occupation while certified management accountant, certified general accountant and chartered administrator have been deleted. Many financial planners currently have their chartered accountant designation and it too should be removed from the Proposed Draft Regulation as being incompatible.

Section 6 of the Proposed Draft Regulation requires a signature. The Insurance Committee requests that alternatives to having to provide the client's signature be allowed, such as providing a negative confirmation.

Section 6 also refers to having to complete an analysis of the client's financial needs. The insurance industry has always supported a needs based selling approach to reviewing client investment objectives, risk tolerance and financial knowledge as a more comprehensive and well-rounded approach compared to the investment KYC type approach. As such, the Insurance Committee would appreciate clarification as to how a financial needs analysis impacts group insurance as it is not performed at an individual level. Furthermore, if this requirement were to apply, does a specific needs analysis exist or would firms have to create their own? The Insurance Committee also has concerns with respect to the timing of having to provide a signed needs analysis as 5 days may not be workable.

Section 8 of the Proposed Draft Regulation looks at the mandate of financial planners and insurance representatives. We would appreciate more information as to what the mandate refers to. Does this refer to the financial needs analysis plus the insurance illustration? Furthermore, does this need to be signed? Furthermore, what is the relevance of providing an estimate of the number of hours required to complete the mandate.

We would also appreciate information as to what section 8.1 is referring to. Is this referring to charging financial planning fees? If not, what does it refer to?

Section 10 of the Proposed Draft Regulation states that upon the first meeting with a client and at all subsequent meetings, a representative must give the client a written document, such as a business card, which indicates the representatives name, their main business address, telephone number and electronic mail address, the name of the firm or independent partnership on whose behalf the representative is acting or the description "independent representative" as well as their titles. The Insurance Committee does not agree with the proposal to require this information be provided at each and every client meeting so long as a proper introduction has taken place in the past. We request that this provision be amended to only require that this take place upon the first meeting and after a year has gone by without any contact.

The Insurance Committee would also appreciate clarification regarding section 10 (4) as it seems to imply that financial planner and mutual fund representative titles cannot be displayed on the same business card/signage as mutual funds are governed by a different act. There needs to be more flexibility to allow the titles to appear together.

Section 22 of the Proposed Draft Regulation discusses the new replacement form. The Insurance Committee has a number of comments regarding the specific form which are listed below.

- *The notice number and insurance proposal number must be the same. It must appear at the top of each page of this notice.*
 - This bullet appears on the 2nd page of the LIRD. Insurance companies would have to add the ability to input a notice number into their illustrations software (assuming that an insurance illustration is considered to be an insurance proposal). Further confirmation of this is required. If

they did that then the EIA would have to record that number on the replacement form. This seems to be a lot of unnecessary work when the regulator could simply match to client name.

- *You will receive your insurance contract soon afterwards.*
 - This statement is very misleading and should not be included on this form. What if the new coverage is declined or rated and the client decides not to proceed? What if the underwriting process takes a long time?
- *Explain the disadvantages for your client of replacing his contract (additional exclusions, higher premiums, extra premium, etc.).*
 - A higher premium is not necessarily a disadvantage - for instance a replacement of a term policy with a whole life or UL policy would result in a higher premium. The wording would be better if asked to explain the "risks associated" with the replacement.

Given the issues listed above, it is the opinion of the Insurance Committee that this is inconsistent with CCIR's one-page Life Insurance Replacement Declaration (LIRD). As such, we support harmonization of the LIRD.

Regulation to Amend the Regulation Respecting Firms, Independent Representatives and Independent Partnerships

The Insurance Committee requests that special attention be made to ensuring consistency between the definition of sales promotions and sales contests in section 11.1 with the definitions of these terms that currently exist in the Commercial Practices Guidelines.

Section 17 (10) requires that a copy of the insurance proposal be maintained in the client records. We would appreciate clarification as to whether this means, all proposals presented to the client, or just the one that they accepted.

We appreciate you taking the time to consider our comments and we would be happy to meet with you further to expand on our concerns and provide additional details.

Yours sincerely,

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