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## Definitions of Terms Used in the Annual Statement on Market Conduct – Life and Health

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### **CLASSES OF INSURANCE**

The Annual Statement on Market Conduct – Life and health uses the same classes of insurance as the Life Quarterly Return / Annual Supplement. Please refer to the definitions of the classes of insurance used in those forms.

### **COMPLAINTS**

Is the expression of at least one of the following elements that persists after being considered and examined at the operational level capable of making a decision on the matter:

- a reproach against an organization;
- the identification of a real or potential harm that a consumer has experienced or may experience;
- a request for a remedial action.

Complaints are generally expressed in writing through correspondence, e-mail, fax or other form that allows a complaint to be kept on file. Where a consumer makes a complaint by phone or in person and the complaint is handled and examined by the person responsible for the examination of complaints and designated as such in the organization's policy, the complaint must be documented so that it can be kept on file.

The initial expression of dissatisfaction by a consumer, whether in writing or otherwise, will not be considered a complaint where the issue is settled in the ordinary course of business. However, in the event the consumer remains dissatisfied and such dissatisfaction is referred to the person who is responsible for the examination of complaints and designated as such in the organization's policy, then it will be considered as a complaint.

However, organizations must refrain from any undue delay in referring a matter to a higher level solely for the purpose of avoiding reporting requirements. Where a consumer remains dissatisfied after a reasonable attempt has been made to settle the issue, organizations without a multilevel complaint examination structure are then considered to have received a complaint.

### **CUSTOMERS**

All current and prospective customers of insurance products.

## **DISTRIBUTION CHANNELS**

### Direct or exclusive channels

Direct or exclusive agents: Agents bound by an exclusive contract with a single life insurer or act on behalf of a firm that is an insurer.

Direct or exclusive firms: Firms that are bound by an exclusive contract with a single life insurer.

### Independent channels

Independent agents: Agents who offer products from various insurers.

Independent firms: Firms who distribute products from various insurers.

Managing General Agent (MGA): An entity to whom your organization has delegated certain tasks and act as intermediary for other firms and agents. MGAs distribute products from various insurers.

National Account: An entity who distributes products from various insurers. A national account is a large size MGA who is also an investment dealer.

### Other distribution channels

Any distribution channel other than direct or exclusive and independent channels. For example, exempt sellers, restricted licensees and those who offer the product through Quebec's "without a representative" regime.

### Distribution of products sold through Internet (full online sale process)

A product is considered to be "sold by Internet/online\*" if the entire sale process is done online without using the services of an agent or broker. If a sale is completed by a licensed agent after the consumer obtains information or a price from a website, it is not considered as an Internet sale.

## **EMPLOYEE**

A person that is remunerated through salary or wages by an insurer and is working more than 25 hours per week. It does not include an employee paid primarily by commission. Includes all classes of employees (permanent, contractual, seasonal, etc.).

## **FAIR TREATMENT OF CUSTOMERS (FTC)**

A principle that focuses on consumers outcomes, in particular, having due regard for the interests of the consumer and treating the consumer fairly. It refers to the consumer-related conduct of insurers and how insurers treat consumers at each stage of the life cycle of a product. The lifecycle of the product begins with its design to after-sales services and from the moment obligations under the contract arise until the point at which all obligations under the contract have been fulfilled.

The outcomes associated with FTC as described by the International Association of Insurance Supervisors (IAIS) include the following:

- Developing and marketing products in a way that pays due regard to the interests of customers;
- Providing customers with clear information before, during and after the point of sale;
- Reducing the risk of sales which are not appropriate to customers' needs;
- Ensuring that any advice given is of a high quality;

- Dealing with customer complaints and disputes in a fair manner;
- Protecting the privacy of information obtained from customers; and
- Managing the reasonable expectations of customers.

Areas within an insurer and its operations that can influence and help ensure the FTC include:

- Board and senior management responsibility;
- Strategy and decision-making;
- Internal processes and mechanisms (controls);
- Performance management;
- Remuneration; and
- Policies and procedures.

The CCIR notes that while these outcomes are intended to be a key component of a globally accepted regulatory framework, the IAIS notes that context and conditions within a given jurisdiction, including legal, regulatory and financial considerations, will ultimately affect the implementation and application of FTC and its associated outcomes.

### **LAPSE**

Termination of a policy for nonpayment of the premium. This occurs when the policy owner does not pay the premiums on time or the value of the policy (cash value) is insufficient for the payment requirements.

### **MARKET CONDUCT**

Any product or service relationship between the insurance industry (insurers or intermediaries) and the public, specifically the risks to customers that arise if an insurer or intermediary fails to treat customers fairly and in accordance with Applicable Law, and includes the terms “conduct of business” and “commercial practices” as used in some jurisdictions.

### **PRODUCTS**

Each combination of benefits presented under a same name, each plan and each package plan offered with a distinct duration is considered as a product. For purposes of this disclosure, an endorsement or an option included in the product are not considered a product.

Examples:

- Term Life 10 years - Life
- Whole life - Life
- Long Term Disability - Accident and Sickness
- Critical illnesses - Accidents and Sickness
- Segregated Funds – Annuities

### **SALES MANAGEMENT**

An employee of an insurer, responsible for oversight of the sales force.

### **SALES FORCE**

Those who offer the product to the customers (for example agents, exempt sellers, restricted licensees and those who offer the product through Quebec's "without a representative" regime).

### **SENIOR OFFICER IN CHARGE OF FAIR TREATMENT OF CUSTOMERS**

The person in charge of ensuring the development, implementation and enforcement of fair treatment of customers-related operational policies and practices.