AMF’s Revised Commercial Practices Guideline

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Commercial practices guideline: What it means for insurers

- Institutions’ behaviour
- Reputation risk
- Commercial practices
- Major solvency issues
Commercial practices guideline: What it means for insurers

- Financial scandals
- Protection of consumers’ interests
- IAIS, Joint Forum, OECD
Commercial practices guideline: What it means for insurers

- Spotless reputation
  - Major strategic edge

- Sullied reputation
  - Could be an institution’s downfall
Commercial practices: a cultural issue

- Culture
- Governance
- Reputation Risk

Fair Treatment of Customers
First draft of the guideline: Holistic approach

- Roles and responsibilities of the board of directors and senior management
- Design, selection, promotion and distribution of financial products and services
First draft of the guideline: Holistic approach

- Advice
- Complaint examination and dispute resolution
- Protection of information obtained from consumers
First consultation : CLHIA’s Comments

« The guideline imposes supervision of independent distributors over which insurers have no control »

« […] The AMF should work with the CCIR […] »

« The guideline should focus on the insurer as a manufacturer, not as a distributor »
## Second Draft of the Guideline: Major Changes

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International Core Principles
- To foster harmonization

Considers the existing Canadian regulation
- To avoid overlapping, administrative burden or arbitrage
Commercial practices second draft guideline: Consistency

- With existing best practices across Canada
  - CLHIA’s guidelines

- Between deposit and insurance sectors
  - Principles-based rather than rules-based
Part A – General expectations applicable to all institutions

Part B – Expectations specific to a sector or type of institution
The AMF expects the institution’s board of directors and senior management to establish, document and implement strategies, policies and procedures that make the fair treatment of consumers a core component of the institution’s corporate culture.
Board’s and senior management’s roles and responsibilities

- Tone through their active participation
- Strong personal commitment
- Be attentive to:
  - events within their institution and departures from internal policies that compromise the institution’s reputation or threaten the fair treatment of consumers
Board’s and senior management’s roles and responsibilities:

- Be attentive to:
  - High standards of ethics and integrity
  - Potential conflicts of interests
  - Personal information protection issues
The AMF expects the financial institution to establish overall compensation strategies [...] to ensure that incentives do not prejudice the fair treatment of consumers.
The AMF expects the financial institution to develop and market its products commensurate with target consumers’ interest.
« [...] manufacturers ensures to disclose potential conflicts of interests »

« Serious » financial institutions already define viable products and services; tailor products and services to target consumers; comply with the Distribution Act when distributing products [...] »
The comments prompted the AMF to adjust its expectations regarding the design and marketing of products.
The AMF expects the financial institution to draft appropriate disclosure documents on its products to enable consumers to make informed decisions.
The AMF expects the financial institution to disclose to its clients any change affecting the institution that is of concern to them, all periodic product information and any change to the products they hold or in respect of which they have rights or obligations.
The AMF expects the financial institution to ensure that the information in advertising material is accurate, clear and not misleading
Complaint examination and dispute settlement

- The financial institution **must** provide equitable resolution of complaints filed with it.
- Pursuant to the legislative provisions – mandatory issues.
- Principle refer to the AMF Website.
The AMF expects the financial institution to have a policy and procedures that protect the confidentiality of the personal information obtained from consumers.
The AMF expects an insurer to examine and settle claims filed with it in an equitable manner using a procedure that is simple and accessible for claimants.
The Guideline on Individual Variable Insurance Contracts Relating to Segregated Funds is an integral part of the guideline.

The guideline came into effect on January 1st, 2011.

The guideline is harmonized with the CLHIA’s G2 Guideline.
What to expect from the AMF

- 2 years transition period after the guideline comes into effect
- Complaint examination and dispute settlement provisions will be effective as of the final publication
- AMF will oversee the main implementation steps
Advantageous approach both for consumers and insurers

Sound and prudent management of reputation risk by an institution can only bring near and long-term benefits
Thank you!