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February 8, 2010

Insurance Council of Manitoba
Suite 466
167 Lombard Avenue
Winnipeg, Manitoba
R3B 0T6

Re: *Insurance Council of Manitoba's Draft Delay Acknowledgement for Life Insurance Replacement Declaration (LIRD) and Written Comparative Analysis*

Thank you for the opportunity to comment on the Insurance Council of Manitoba's consultation for a Delayed Completion Process and Form for the Life Insurance Replacement Declaration.

Advocis is the largest and oldest voluntary professional membership association of financial advisors and planners in Canada. Our members are provincially licensed to sell life and health insurance, mutual funds and other securities, and are primarily owners and operators of their own small businesses who create thousands of jobs across Canada. Advocis members are professional financial advisors who provide comprehensive financial planning and investment advice, retirement and estate planning, risk management, employee benefit plans, disability coverage, long-term care and critical illness insurance to millions of Canadian households and businesses.

The Life Insurance Replacement Declaration is the result of a consultation process between insurance regulators and stakeholders, including Advocis. The LIRD establishes a harmonized approach for replacement disclosure. The Canadian Insurance Services Regulatory Organizations (CISRO) Report on the Review of Life Insurance Replacement Disclosure Requirements consultation was put out for comment in 2006 and is only starting to be implemented in some provinces including Atlantic Canada, Saskatchewan (as of May 2008) and in Manitoba (as of June 1, 2009). In other provinces, changes are required to the applicable regulations before they can move from the Basic Disclosure Statement to the LIRD (such as Ontario and Alberta). Harmonization of regulations and, in particular, the replacement disclosure process, should continue to be a legitimate objective. We encourage Council to consider the importance of a harmonized approach across Canada before implementing a new requirement that the LIRD be delayed under certain circumstances.

The LIRD introduces an enhanced level of disclosure so as to effectively assist the consumer in deciding whether or not to replace his or her existing policy. Life insurance agents have a duty to provide full and complete disclosure but the level of disclosure required in any given situation will vary depending on a number of factors, including the complexity of the transaction and product being recommended.

Advocis believes that the introduction of a Delayed Completion process and form is not necessary as there is no disadvantage to the client in having the LIRD and written comparative analysis done up-front. It is our view that the client should be provided with the comparison prior to commencing with the application.

Should the policy come back modified or rated, then another written comparative analysis outlining the advantages and disadvantages of replacing the existing policy with the modified or rated policy may be required. We believe this approach is preferable to delaying the process of completing a written comparative analysis.

In addition, life insurance products are subject to the three key principles-based recommendations established by the Industry Practices Review Committee (IPRC) of the Canadian Council of Insurance Regulators (CCIR) and the Canadian Insurance Services Regulatory Organization (CISRO) in 2006:

1. priority of client's interest – an insurance intermediary (broker or agent) must place the interests of insurance policyholders and prospective purchasers ahead of his or her own interests;
2. disclosure of conflicts or potential conflicts of interest – consumers must receive disclosure of any actual or potential conflicts of interest associated with a transaction or recommendation; and
3. product suitability – the recommended product must be suitable to the needs of the consumer.

All agents have to adhere to the above-noted three principles for every insurance transaction whether it is a first time insurance policy to a client or a replacement of an existing policy. Advocis believes that the current LIRD requirement as approved by CISRO in 2006 and the product suitability principle is sufficient to ensure the client is adequately protected and has sufficient knowledge to make an informed decision about the insurance product being recommended by the agent.

The product suitability principle is that “*the recommended product must be suitable for the needs of the consumer*”. The IPRC stated that it expects brokers and agents will explain to their clients and document the reasons for recommending a particular product. The recommendation should be based on the following steps:

- Fact finding appropriate to the circumstances, and assessment of the client's specific needs;
- A flexible needs assessment. The assessment should reflect factors including the underlying risk, the client's objective, and the complexity of the product being sold; and
- An agent or broker's product recommendation that meets the client's identified needs.

Advocis worked with other industry participants to standardize the needs-based sales practices that are integral to the product suitability principles, through the production of the reference document: *The Approach: Serving the Client Through Needs-Based Sales Practices*.

Advocis also developed its own Best Practices Guideline on Product Suitability along with an interactive web-based tool entitled “The Advocis Interactive Disclosure and Product Suitability Web Tool”. This helps advisors to generate transaction and recommendation disclosure letters based on the Advisor Disclosure Reference Document. The letters can be customized for clients in all provincial jurisdictions. In the disclosure letter, agents disclose the companies they

represent, any financial relationships they may have with those companies and whether an actual or potential conflict of interest exists.

As a result of these efforts with various industry groups and wide communication to insurance agents and companies across Canada, we believe that the steps that must be followed in order to comply with the product suitability principle, along with the existing LIRD requirements are sufficient to ensure that the recommendation is in the best interests of the client.

We thank you for the opportunity to comment on the Proposed Guideline. We would be pleased to meet with you to discuss any of the issues or suggestions contained in our submission.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Greg Pollock', with a long horizontal flourish extending to the right.

Greg Pollock
President and CEO

A handwritten signature in black ink, appearing to read 'Terry Zavitz', with a stylized, cursive script.

Terry Zavitz CFP, CLU, RHU, GBA, EPC
Chair, National Board of Directors