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April 8, 2011

CCIR Secretariat
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Dear CCIR Secretariat:

Re: CCIR Issues Paper: Managing General Agencies Life Insurance Distribution Model, February 2011

Advocis welcomes the opportunity to provide its comments to the CCIR in response to the questions and issues raised in the CCIR's Issues Paper dated February 2011. Advocis provides its comments on behalf of its members and in order to assist the CCIR in their determination if there are any regulatory gaps which could lead to risks to consumers. Advocis would like to continue to be an active participant in the process of determining how to improve the regulatory regime for the distribution of life insurance products across Canada.

Advocis, The Financial Advisors Association of Canada, is the largest and oldest professional membership association of financial advisors and planners in Canada. Our association was founded in 1906, as the Life Underwriters Association of Canada.

Our almost eleven thousand members across Canada provide comprehensive financial planning and investment advice, retirement and estate planning, risk management, employee benefit plans and disability coverage, to millions of Canadian households and businesses. Our members are provincially licensed to sell life and health insurance and mutual funds and other securities. Advocis members are for the most part independent owners and operators of small businesses, entrepreneurs who create thousands of jobs in every community across Canada. Advocis members maintain lasting relationships with their clients based on trust. They help clients, young and old, individuals, families and businesses, to set financial goals, manage risks, save consistently and invest prudently.

Advocis members embody professionalism based on education, best practices, and high standards of proficiency and ethics. Advocis promotes the professionalism of financial advisors through:

- Advocis' Code of Professional Conduct;
- Guidance on best practices;
- Errors and omissions insurance coverage that protects consumers;
- Professional designations supported by a comprehensive curriculum and rigorous standards – Advocis' Chartered Life Underwriter (CLU) and the Registered Health Underwriter (RHU); and educational support for the attainment of the Certified Financial Planner (CFP); and
- Mandatory competency-based continuing education.

It is our understanding that the Issue Paper has been published in response to the shift in the Canadian life insurance industry from the traditional career agency model toward the MGA

distribution model and to stimulate discussion regarding the issues that have been identified in light of the development of this channel over the last 40 years, and in particular, its development into the dominant distribution channel in the last 10 years.

A major goal of the CCIR is to obtain clarity as it relates to the roles, responsibilities, accountabilities and appropriate oversight of the agent, the Managing General Agency (MGA), and the insurer.

Advocis will provide some comments in response to the Issues Paper and will answer the following questions posed in the Issues Paper: Questions 1, 2, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 24, and 25.

Background Information: Definitions and History of Growth and Changes in Regulation

The Definition of MGA and AGA

The CCIR defines an MGA as: "an individual, partnership or corporation that holds at least one direct brokerage contract with a life insurance company registered to do business in Canada." Advocis agrees that in order to be an MGA, it must enter into at least one direct brokerage contract with a life insurance company and at least one principal must hold a life agent license.

Question 1: Are there other aspects of AGAs that differentiate them from MGAs?

Advocis' understanding is that the Associated General Agency ("AGA") is a life agency where a single life insurance agent or more than one life insurance agent incorporates and operates under a business name, such as X Life Agency Limited. An AGA does not have a direct brokerage contract with a life insurance company registered to do business in Canada. Therefore, we would not classify them as MGAs and they should not fall within this definition. As such, they can be treated in a similar manner as life insurance agents. If they do have a direct brokerage agreement, then they would fall within the definition of MGA.

The CCIR refers to life insurance agents and other intermediaries as "representatives". For the purpose of this submission, the terms "life insurance agent", "financial advisor" and "representative" all refer to the financial advisor who is provincially licensed to sell individual life and health insurance.

Question 2: The Functions of MGAs versus the Functions of AGAs

"Which functions of MGAs do not apply to AGAs? Are the activities of AGAs closer to representatives rather than MGAs?

Advocis believes that the functions of MGAs and AGAs can vary considerably. An AGA will likely have a contract with one or more MGAs and with representatives whereas the MGA has contractual relations with the insurer(s) and representatives.

An AGA may perform some functions of the MGA and its representatives, who likely include the principals of the corporation, will also likely deal directly with consumers.

Today's Financial Advisors or Representatives

Advocis agrees with the CCIR that most representatives are no longer part of the Career Agency model and often deal with more than one MGA in order to obtain the coverage that is most appropriate for the consumer. The representative can choose from a wider range of products as the advisor has access to more than one MGA. This is the case because any particular MGA will not

necessarily have all the products that are available in the market at its disposal. Certain MGAs have a limited product shelf (for example, the products from two insurers) while other MGAs will have quite an extensive product shelf (all the major life insurers' products will be available).

MGAs do not require the advisor to deal exclusively through only one MGA although an MGA could impose such exclusivity through its contract with the advisor. Exclusivity is not, at present, a common business practice.

Insurers often contractually require an advisor to place all business with that insurer through one MGA. For example, Insurer A requires that all business from Representative A be placed through MGA X while Insurer B requires that Representative A uses MGA Y for Insurer B's business. Advisors may operate through separate legal entities so Representative A's Company A may place its insurance business through MGA X while Representative A's Company B may place its insurance business through MGA Y.

Therefore, financial advisors may deal with any number of insurers through MGAs. In addition, some financial advisors have direct contractual relations with insurers without using the MGA as an intermediary. MGAs, however, provide financial advisors with an efficient method of contracting with an indeterminate number of insurers. Most advisors deal with a limited number of MGAs given economic conditions, the bonus structure (the bonus on a block of business leads an advisor to place its business through fewer rather than a greater number of MGAs) and administrative and compliance considerations.

Financial advisors may move from one MGA to another MGA for a variety of business reasons including compensation, and service support provided by the MGA such as underwriting, marketing and training.

Representatives in the MGA distribution channel will therefore have contractual arrangements with more than one MGA and with more than one insurer.

Classifications of MGAs – National, Regional and Small Local MGAs

Advocis agrees that there are many MGAs in existence in Canada, some of which operate nationally, some regionally (for example, Western Canada) and some locally. We do not necessarily agree with the description that suggests that the smaller or more local MGA would likely be unaware of compliance issues whereas the larger, regional or national MGA would be aware. Advocis' understanding is that the MGA's awareness of compliance issues does vary from MGA to MGA but this variation is not correlated with the size or geographical reach of the MGA. The awareness of compliance issues may be a function of the degree of delegation of supervision by the insurer to the MGA. Some companies delegate many functions to the MGA whereas others delegate very few.

We understand that CAILBA (the Canadian Association of Insurance Life Brokerage Agencies) is developing a Compliance Toolkit for its members which will give them a generic set of documents, forms, policies and procedures they can use to deal with compliance matters. This is the first phase in a process of developing a CAILBA Accredited Compliance Standard for its members. Greater standardization of compliance will likely result from CAILBA's efforts, at least amongst its members.

5. CCIR's Concerns Regarding the MGA Distribution Model

Supervision of Representatives

In the career agent model, the role of supervision is exercised by insurers that directly employ individual representatives and they have a legal responsibility to supervise and report misconduct. The CCIR is concerned that in the MGA distribution model, it may be more difficult for insurers to monitor representatives who may be associated with multiple insurers and MGAs: *"There is a potential for a representative to spread questionable business among his/her various MGAs and insurers to avoid notice."* The CCIR also points out that there are varying levels of delegation by the insurer to the MGA with respect to screening representatives and, as a result, is seeking feedback on who should have responsibility to investigate and report misconduct.

In Ontario, insurers have a legal responsibility to screen representatives for suitability to carry on business as an agent and to monitor their behaviour[1]. The supervision of the representative includes assessing an agent's suitability prior to entering into a contract (ie screening) and supervising the agent's ongoing conduct with consumers (ie monitoring). In other provinces, such a British Columbia, this is not stipulated in legislation or regulations, but is adhered to as a matter of sound business practice. The Canadian Life and Health Insurance Association (CLHIA), has issued CLHIA Guideline G8: Screening Agents for Suitability and Reporting Unsuitable Agents and insurers who are members of CLHIA incorporate this Guideline into their policies and procedures.

Initial Screening

Very often, the MGA will undertake an assessment of the financial advisor before entering into a contractual arrangement with him or her. The assessment could include:

- reviewing the advisor's previous work experience
- reviewing the advisor's current book of business (ie potential sales productivity)
- assessing fit within the MGA's corporate culture
- interviewing the advisor, and
- ensuring that the advisor is a licensee "in good standing" – verifying that the license has been renewed and not suspended or revoked, verifying that the advisor has the required error & omissions insurance, criminal record check and performing a credit check on the advisor, and a review of bankruptcy history.

The interaction between the MGA and the insurer with respect to the initial screening of representatives for suitability is described in Section 2 of CLHIA Guideline G8.

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[1] 12. (1) Every insurer that authorizes one or more agents to act on behalf of the insurer shall establish and maintain a system that is reasonably designed to ensure that each agent complies with the Act, the regulations and the agent's license. O. Reg. 347/04, s. 12 (1).

(2) The system referred to in subsection (1) must screen each agent for suitability to carry on business as an agent. O. Reg. 347/04, s. 12 (2).

(3) An insurer shall report to the Superintendent if it has reasonable grounds to believe that an agent who acts on behalf of the insurer is not suitable to carry on business as an agent. O. Reg. 347/04, s. 12 (3).

The insurer then enters into a direct contractual relationship with the advisor. The MGA usually provides the insurer's contractual documentation to the advisor and coordinates the process of the advisor contracting with the insurer. In addition, the advisor and the MGA enter into a written contractual agreement outlining the terms of their relationship including compensation. In provinces, such as Ontario, where there is a sponsorship requirement placed upon the insurer, the MGA may assist the advisor in finding an insurer to be his or her sponsor.

This initial screening of the representative ensures that the agent is suitable to conduct business as an insurance agent.

Question 9: What specific activities do insurers carry on today in supervising representatives and reporting misconduct?

Supervising the representative's dealings with the consumer and ensuring that the representative provides the appropriate duty of care to the consumer is part of the on-going monitoring of the representative[2].

Insurance companies ensure that financial advisors follow acceptable sales practices in such areas as replacement disclosure, conflict of interest disclosure and selling products that are suited to the consumer's needs through spot audits using a risk-based approach.

Monitoring the representative's on-going suitability is performed by the insurer and/or MGA by:

- assessing patterns in the transactions of the representative;
- reviewing documentation to assess the representative's sales practices (managing conflicts of interest, following needs-based sales practices, suitability of product for client's needs, protection of personal information);and
- insurers may look at unusual activities such as changes in the volumes of business or size or premiums

CLHIA's Guideline G8 describes what information the insurer will review in order to determine whether the MGA has a reasonable system to ensure representatives comply with regulations, industry guidelines and the insurance company's policies.

Reporting Misconduct

If, as a result of on-going monitoring, an insurer determines that a representative's activities support a finding that the representative is not suitable to carry on business as an agent, then in Ontario the insurer has a legal obligation to report that to the Superintendent of Insurance. In other provinces, this reporting will occur as a result of adherence to the standards set out in Guideline G8.

As per section 12(3) of Ont. Reg. 347/04, in Ontario the insurer must report to the Superintendent if it has reasonable grounds that a representative is not suitable to carry on business as an agent. This is the insurer's responsibility regardless of whether it delegates specific functions of monitoring the conduct of representatives.

According to Guideline G8, the insurance company does not delegate regulatory reporting of unsuitable representatives. The insurance company is to be notified by the MGA of:

- client complaints about a representative's conduct in relation to the sale of the insurer's products;

[2] The role and responsibility of the financial advisor regarding product suitability is explained under the section 5.3, "Managing Conflict of Interest Principles".

- evidence of probable misconduct by the representative in relation to the sale of the insurer's products; or
- conclusions (by the MGA or a regulatory organization) that a representative has contravened regulations, rules or applicable codes of conduct in relation to the sale of any financial services product.

Question 10: Under today's MGA structure, has detection and reporting of "unsuitable representatives" become more difficult as a representative is, at any given moment, dealing with various MGAs and insurers? Please elaborate.

The detection and reporting of unsuitable representatives may not appear to be as simple as it once was when insurers only had captive agents and those agents only sold that insurer's products. Nonetheless, insurers have systems in place in order to monitor the ongoing suitability of agents (as described above). Insurers may delegate some of their monitoring functions to the MGA; however, they have a legal obligation (in Ontario) or for sound business practice reasons to ensure that the MGA performs these tasks adequately.

If the representative deals with more than one MGA and/or contracts with more than one insurer, then each insurer that the representative places business with has a legal obligation to ensure that the representative is "suitable". Similarly each MGA will have been delegated certain monitoring functions with respect to the representative. Advocis is aware that this legal requirement imposed on the insurer does not exist in all provinces. The harmonization of this requirement in all provinces and territories should be considered by the CCIR.

We would be interested to know whether the incidence of actual problems with agent suitability is greater when the representative deals with a greater number of MGAs and insurers. We are not aware that there is a correlation.

Question 11: Is it necessary that some party be in a position to monitor the overall business practices of a representative? If no, why not? If yes, which party, MGA or insurer, is in the best position to do that monitoring?

Advocis does not believe that it should be the responsibility of one party to monitor the total business dealings of a given representative. We do not think it is in the consumer's best interest to move to a single-MGA model, like is the case for mutual fund licensed advisors. The ability of the representative to access more than one MGA allows the advisor to obtain the coverage that is the most appropriate for the consumer since no one MGA offers all of the products available in today's marketplace. As described above in the section "Today's Financial Advisor or Representative", existing market conditions limit the number of MGAs that an advisor will deal with. The existing bonus structure for the representative, the current economic conditions in which MGAs operate and administrative and compliance considerations lead to a limited number of MGAs being used by a given representative. Requiring a representative to access only a single MGA would limit consumer choice and increase cost to the consumer.

The CCIR has indicated that there is the potential for representatives to spread questionable business among MGAs and insurers to avoid notice. Advocis would be interested to know whether there is any evidence that this has been occurring in practice and would welcome the opportunity to discuss how to mitigate this risk. Absence evidence of a real problem, imposing a requirement that one party be responsible for oversight of a representative could lead to unintended consequences that harm consumers.

Question 12: Given their proximity and close relationship to representatives, should MGAs be responsible for reporting questionable acts by representatives:

Advocis supports the development of a standard approach in the industry to reporting questionable acts to insurers and regulators in order to ensure optimal consumer protection. Advocis would be pleased to work with the CCIR and other stakeholders in order to arrive at a standardized and efficient approach to this issue which will ensure consumers are protected.

a. To insurers with whom they have an agreement?

   Yes, MGAs should report questionable acts by representatives to insurers that the representative has a contractual relationship with or does business with. The MGA should have a process for investigating questionable acts by representatives and should have a process of keeping the insurer informed.

b. To insurance regulators?

   The MGA and/or the insurer should have clear reporting obligations similar to those persons who are securities licensed or mutual fund licensed[3].

Question 13: How is misconduct reporting handled when the representative is dually licensed? Should misconduct in one sector be reported in the other sectors where the representative is licensed?

Advocis supports the sharing of information between sectors regarding misconduct. Misconduct in one sector should be reported in the other sectors where the representative is licensed. In addition, a central database where information about a representative's qualifications, licensing and any disciplinary information would be beneficial for consumers. Advocis supports such an initiative.

<u>Managing Conflict of Interest Principles</u>

Insurers and insurance agents have successfully adopted and implemented the three principles for managing conflicts of interest. All life insurance agents are required to adhere to the following three principles in respect of each recommendation made to a client in order to properly manage conflicts of interest:

- *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;

- *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

- *product suitability* – the recommended product must be suitable to the needs of the consumer.

[3] See IIROC Dealer Member Rule 3100 and MFDA Policy No. 6.

Product Suitability

The IPRC's product suitability principle is that "*the recommended product must be suitable for the needs of the consumer"*. The IPRC stated that it expects that 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:

- 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.

In order to develop best practices for intermediary disclosure, Advocis participated in the Intermediary Disclosure Working Group (along with the Canadian Life and Health Insurance Association (CLHIA) and other industry associations). The Working Group produced the "*Advisor Disclosure Reference Document"* in March 2005.

Advocis worked with other industry participants, including the CLHIA and CAILBA to standardize the needs-based sales practices that are integral to the product suitability principle, 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, the financial relationships they may have with those companies and whether an actual or potential conflict of interest exists. Moreover, the tool has a product suitability component that outlines the process that the advisor has gone through in making the recommendation, which can be reviewed and signed off by the client.

The three key principles of the Industry Practices Review Committee (IPRC) of the Canadian Council of Insurance Regulators (CCIR) and the Canadian Insurance Services Regulatory Organizations (CISRO), including product suitability, apply to all life & health insurance products including segregated funds. In addition, agents when selling segregated funds are required to follow the steps set out in the CLHIA Guidelines on IVICs which has been endorsed by the CCIR and has been incorporated into Ont. Reg. 132/97.

The agent must apply the principles for each product recommendation he or she makes irrespective of whether they are a career advisor, new advisor, independent advisor or an advisor who operates through an MGA.

The Final Public Report: Review of Implementation of the Three Principles for Managing Conflicts of Interest of the IPRC of CCIR and CISRO dated December 2008 did not identify (and we are not aware) that agents are not able to implement or are not, in practice, implementing the three principles.

The survey conducted by the IPRC found that *"most companies have systems of corporate governance and internal controls to manage conflicts of interest as they relate to the principles…The content of the policies are adequate for managing conflicts of interest and properly monitored for*

adherence." The survey found that there was a high level of implementation at the agent level – that the majority of agents were providing the necessary disclosure in order for the consumer to make an informed decision. The Report concluded that support of the three principles are high and are widely recognized in the marketplace. It also concluded that *"It appears that no further steps by regulators are necessary at this time to promote general acceptance, except to encourage associations and insurers to increase their efforts in support of the three principles"*.

CLHIA Guideline G14: Confirming Advisor Disclosure sets out a uniform approach for companies to confirm that advisors make disclosure that is consistent to the Advisor Disclosure Reference Document. The application is not processed by the insurer unless they are "in good order" which includes the client signature on the application form and the representative's signature on the representative's report. The representative's report confirms that the representative has made appropriate disclosures to the client.

Question 14: To what extent can or does an MGA influence the decisions of its representatives to place insurance with one insurer over another? How is this controlled?

The representative must comply with the three principles for managing conflicts of interest. If the MGA influences the recommendations of the representative, it would be disclosed to the consumer in accordance with the principles for managing conflicts of interest.

The MGA may reward the representative for the volume of business placed through its MGA but this is not specific to a given life insurer. Some MGAs require the representative to do a certain minimum percentage of business with them. If any of the compensation mechanisms create a potential or real conflict of interest, then the representative must disclose this to the consumer.

Question 15: Given that MGAs receive commission from insurers for volume of business generated through the representative, what kind of disclosure to consumers (regarding this specific commission) is provided today by the representative?

The Advisor Disclosure Reference Document suggests that the representative disclose the name of the MGA with which he or she is associated. If there is compensation received by the representative from the MGA, then this should be disclosed. If compensation to the MGA from insurers led to a conflict of interest in the representative's recommendation to the consumer, then it should be disclosed to the consumer by the representative.

If the CCIR identifies any potential gaps in the required disclosure of conflict of interest in accordance with the three principles, Advocis would be pleased to work with the CCIR to ensure it is addressed.

Question 16: What are the expectations of insurers when supervision of sales practices is delegated to MGAs? Is oversight limited to completeness (form) as opposed to the nature of the advice (substance)?

From the experience of our members, the MGA often will perform oversight of the insurance application and may check advisor attestations on client applications to ensure that the applications are complete and in good order prior to sending it to the insurer. The MGA will also monitor any outstanding underwriting requirements of the insurer and see that they are dealt with appropriately and expeditiously instead of the insurer having to communicate directly with the representative.

Role of MGAs in Sales Transactions and Handling of Consumer Complaints

As noted in our submission to the CCIR dated March 22, 2010, if the advisor receives notice of a potential or actual claim (a verbal or written demand for compensation) arising from an alleged error, omission or negligent act of the agent, then the agent is obligated to report the potential or actual claim to the errors and omissions insurance carrier.

If the advisor receives a complaint from a client about the insurer, the advisor will advise the client to contact the insurance company as each company will have a procedure to deal with a consumer complaint. The advisor will assist the client in the process if the advisor determines that the client has a legitimate complaint. If the advisor determines that the complaint is not legitimate, the advisor will explain to the client what process the client must follow in order to proceed with his or her complaint.

The advisor will also notify the MGA and insurer of any complaint regarding the advisor, the MGA or the insurer that the advisor directly receives from the client. The advisor has a contractual obligation through its errors and omissions policy to notify its errors and omissions carrier. The advisor, therefore, notifies all relevant parties regarding any complaint that the advisor directly receives from the client.

Question 17: What problems have arisen to date regarding transaction errors involving MGAs and how have they been resolved? How do consumers know who to go to in these situations?

Advocis is not aware of transaction errors involving MGAs. If a mistake is made by the MGA and the consumer complains, the consumer most often will first approach the financial advisor in these situations as the consumer has a relationship with the advisor and that is the consumer's point of contact. The insurer would also be known to the consumer and the consumer may choose to contact the insurer directly.

Question 18: Who would be accountable for errors in consumer transactions processed through MGAs? Are representatives and/or insurers assuming responsibility for the mistakes of an MGA when a consumer is adversely affected?

Advocis is not aware of transaction errors involving MGAs.

Representatives will notify his or her errors and omissions carrier if there is an alleged error or negligent act on the part of the representative which results in a potential or actual claim by a consumer. The representative will also notify the MGA and insurer of any such complaint he or she directly receives in order to help resolve the issue. This would include transaction errors by MGAs that impact a consumer.

Question 19: Is there an obligation in the agreement between the MGA and the representative for the representative to report to the MGA any complaints received and their status?

CLHIA's Standardized MGA Compliance Review Survey sets out that insurers expect MGAs to require representatives to report client complaints or have a documented complaint handling policy.

Representatives will notify potentially affected parties – the insurer and MGA – and their errors and omissions carrier – about complaints received.

Question 20: Is there a need for all complaints against representatives or MGAs to have access to the OLHI process and, if so, how might this be accomplished?

Currently, if consumers have a complaint about a Canadian life and health insurance product or service, the consumer must first try to resolve the issue directly with the insurance company. The representative will assist the client in the process if the representative determines that the client has a legitimate complaint. If the representative determines that the complaint is not legitimate, he or she will explain to the client what process the client must follow in order to proceed with the complaint. If the consumer does not resolve the issue directly with the insurance company, then he or she can go to the OmbudService for Life and Health Insurance (OLHI) and utilize its complaint resolution process.

If the consumer has a complaint regarding the representative, then the consumer can contact the insurance regulator (in Ontario, this is the Financial Services Commission of Ontario, in other provinces there are Insurance Councils).

Advocis would welcome discussions concerning improvements to the complaint resolution process including the appropriate scope and mandate of the OLHI.

Compliance with Privacy Legislation

Representatives are responsible for ensuring they comply with existing privacy legislation, as are MGAs and insurers.

Question 21: If a consumer is unaware of the existence of an MGA between him/her and the insurer, how is consent being given to MGAs to collect personal information? Are insurers or representatives obtaining consent to disclose to MGAs a consumer's personal data?

Insurance applications contain provisions to obtain permission to allow third-parties such as MGAs to handle personal information.

Representatives obtain consent from the client to provide information to the MGA either in the engagement letter or as part of the advisor disclosure process regarding third parties to whom the information will be disclosed in order to process an application for products and services. Advocis would be happy to work with the CCIR to ensure that this is occurring in practice and/or to standardize this disclosure, if needed.

The Oversight of MGAs

The CCIR in its Issues Paper suggests that MGAs may not be adequately supervised by insurers, and that currently there is no specific licensing category for MGAs that addresses the specific role that the MGA performs in the marketplace.

Question 24: Do you think that the existing licensing regime and the level of required E&O insurance is adequate for the functions of an MGA in today's marketplace?

Requirements for E&O insurance vary across Canada. British Columbia, Ontario and Quebec require licensed agencies or corporations to have entity E&O coverage.

In order for the insurance regulators to know who are the MGAs operating in their jurisdiction, it would be useful for the MGA to be required to be licensed or registered with the appropriate insurance regulator. The level of errors and omissions insurance required for an MGA should reflect

its business operations and potential risks. Advocis, and in particular, the Advocis Protection Association, would be pleased to discuss this issue further with the CCIR in order to put into place the correct type and level of coverage.

Question 25: Is the lack of specific rules on the duties and responsibilities of an MGA generating inconsistencies in how MGAs operate and the level of service they provide?

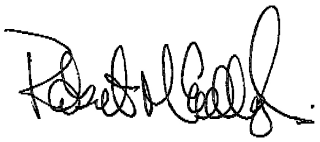
There are many different business models of MGAs and therefore there are different levels of service which a given MGA may provide and differences in the way MGAs operate. In addition, insurers will delegate different duties and responsibilities depending on the MGA. The level of delegation also may vary depending on the insurer.

Advocis would be pleased to be part of any discussion as to what types of operations or levels of service the CCIR would expect all MGAs to provide and whether, in light of the principles-based approach to insurance regulation, rules are required to accomplish this or whether there are other alternatives, such as industry guidelines.

We are pleased to provide this information to you in response to the issues and questions raised in the Issues Paper. Advocis is committed to working with regulators and other stakeholders in order to ensure that an efficient and effective regulatory system is in place for the distribution of life insurance which protects consumers and enhances confidence in the Canadian insurance marketplace.

Sincerely,

Greg Pollock, M.Ed., LL.M., C.Dir., CFP
President and CEO



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