

**DATE:** July, 2019

**SUBJECT:** Fair Treatment of Customers

The focus on fair treatment of customer continues to be a top priority for the insurance industry. Treating customers fairly means conducting business ethically and ensuring a culture that places the interest of the consumer at the center of all business decisions.

Recently, the Canadian Council of Insurance Regulators (CCIR), the Canadian Insurance Services Regulatory Organizations (CISRO), the Financial Services Commission of Ontario (FSCO), and the Alberta's Insurance Council (AIC) have released their finalized guidance documents that set out their expectations for how Insurers and Intermediaries conduct insurance business to ensure the fair treatment of customers.

## CCIR/CISRO

On September 27, 2018, the CCIR and CISRO released a joint Guidance "Guidance: Conduct of Insurance Business and Fair Treatment of Customers". This Guidance was provided to further support Insurers and Intermediaries in achieving fair treatment of Customers while complying with existing laws and regulations.

The Guidance has two parts, the first part relates to the conduct of insurance business and the second part considers fair treatment from a customer perspective.

### Conduct of Insurance Business

This section of the Guidance focuses on how insurance businesses should respond at the institutional level to the fair treatment expectations. The Guidance considers the following:

- Fair treatment of customers
- Conduct of business
- Corporate culture
- Relationship between insurers and intermediaries
- Relationships with regulatory authorities

### Expectations for Treating Customers Fairly

In this section of the Guidance, the CCIR and CISRO outline what they expect to be achieved by Insurers and Intermediaries and provide their expectations for achieving those outcomes. The Guidance considers:

- Governance and Corporate Culture
- Conflicts of Interest
- Outsourcing
- Design of Insurance Product
- Distribution Strategies
- Disclosure to Customer
- Product Promotion

- Advice
- Disclosure to Policyholder
- Claims Handling and Settlement
- Complaints Handling and Dispute Resolution
- Protection of Personal Information

## FSCO

On September 28, 2018, FSCO released its Guideline Treating Financial Services Consumers Fairly. All licensees are expected to implement the expectation set out in the Guideline, regardless of whether they are consumer-facing. FSCO recognizes that a 'one size fits all' approach is not possible; they expect licensees to adapt the Guideline based on the nature, scope, and size of their respective businesses.

FSCO's Guideline sets out eight categories of expectations.

1. that a core component of a Licensee's business governance and culture is fair treatment of consumers;
2. that licensees act with due skill, care and diligence at all times, but especially when dealing with consumers or designing financial services or products for consumers;
3. that licensees promote financial services and products in a manner that is clear, fair and not misleading or false
4. that licensees recommend products that are suitable; taking into account the consumer's disclosed personal circumstances and financial condition;
5. that licensees disclose and manage any potential or actual conflicts of interest.
6. that licensees provide continuing service and keep consumers appropriately informed, through to the point at which all obligations to the financial services consumer have been satisfied, including claims handling or the diligent provision of benefits.
7. that licensees have policies and procedures in place to handle complaints in a timely and fair manner.
8. that licensees protect the private information of financial services consumers and inform them of any privacy breach.

Effective, June 8, 2019, the Financial Services Regulatory Authority (FSRA) officially assumed the responsibility for the regulation of the Financial Services Commission of Ontario (FSCO) and the Deposit Insurance Corporation of Ontario (DICO). FSRA is actively reviewing all FSCO regulatory direction, including but not limited to forms, guidelines and FAQ's. Until FSRA issues new regulatory direction, all existing regulatory direction remains in force.

## AIC

In June 2019, with the cooperation of the Alberta Insurance Council, Alberta's Superintendent of Insurance published the Interpretation Bulletin 06-2019, titled "Adoption of CCIR / CISRO Fair Treatment of Customers Guidance." The purpose of this Interpretation Bulletin is for the Superintendent of Insurance and the Alberta Insurance Council (AIC) to inform all insurers and insurance intermediaries (intermediaries) carrying on business in Alberta of their expectations for how insurers and intermediaries conduct insurance business and what constitutes fair treatment of customers based on the Guidance Conduct of Insurance Business and Fair Treatment of Customers.

## AMF

In June 2013, the Autorité des Marchés Financiers (AMF) released the Sound Commercial Practices Guideline. Under this guideline, the AMF sets out their expectations regarding the fair treatment of customers and ensuring sound business practices.

Concepts addressed in this guideline include:

- Commercial practices
- Fair treatment of consumers
- Governance and corporate culture
- Empowerment of stakeholders

## What do you need to do?

Read CCIR and CISRO "Guidance: Conduct of Insurance Business and Fair Treatment of Customers" to understand what is expected from advisors in treating customers fairly. Use these documents to enhance your policies and procedures. Review your current practices, and develop a plan to address any gaps.

If you are licensed in a province where there is specific guidance on treating customers fairly, such as Ontario and Quebec, ensure you read and understand the requirements for advisors treating customers fairly in those provinces. Use these documents to enhance your policies and procedures. Review your current practices, and develop a plan to address any gaps

## Information Resources

Detailed information on Treating Customers Fairly can be found at the [www.ccir-ccrra.org](http://www.ccir-ccrra.org). You should also familiarize yourself with the provincial website if you are licensed in a province where that has already or plans to develop a framework on the Fair Treatment of Customers