



Financial Services
Commission
of Ontario
5160 Yonge Street,
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Toronto ON M2N 6L9

Financial Services Commission of Ontario
**DRAFT: Incidental Insurance Market Conduct Questionnaire
and CEO Attestation**

Introduction:

The Financial Services Commission of Ontario (FSCO) is undertaking an information gathering exercise to understand and assess the sales practices associated with incidental insurance products sold through distribution channels other than licensed insurance intermediaries (e.g. banks, auto dealers, travel agents and universities and colleges).

This request is being made pursuant to section 442.3 (1) and (3) of the Insurance Act (Ontario), whereby the Superintendent, or a person designated by the Superintendent, may direct inquiries to any insurer related to the business activities of the insurer and the insurer shall answer promptly, explicitly and completely.

Scope of Questionnaire:

The Questionnaire is provided in three parts. The first part requests information on the types of incidental insurance products your company offers and your respective distribution channels.

The second part focuses on how your company maintains control and oversight of incidental selling of insurance (ISI) including, but not limited to, policies, procedures and practices for distributors as they relate to the sale of these products, as well as the servicing of these products by the insurer.

The third part is a Chief Executive Officer (CEO) Attestation in which FSCO is requesting the CEO to confirm in writing that to the best of their knowledge, the information presented is true and accurate.

Please note: Insurance companies not undertaking in the manufacturing and offering of incidental insurance products are NOT required to complete the Questionnaire. They are only required to complete the CEO Attestation on Page 3.

Instructions:

Any supporting documentation, e.g., policies, procedures, etc. must be retained at the company. The responses to the Questionnaire may be validated by FSCO at a later time, including by an on-site visit.

The completed Questionnaire and CEO attestation is due no later than XXX.

If you have any questions regarding the Questionnaire, please contact Trevor McKillop at Trevor.McKillop@fSCO.gov.on.ca or 416-226-7828.



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RESPONSES MUST BE SENT BY ELECTRONIC MAIL AND ADDRESSED TO:
marketconduct@fSCO.gov.on.ca

Definitions:

For the purposes of this Questionnaire, the following terms are defined as:

Incidental Seller of Insurance: a person who, in pursuing activities in a field other than insurance, offers as an accessory, for an insurer, an insurance product which relates solely to goods sold or services offered by the person or secures a client's enrollment in respect of such an insurance product.

Credit Insurance means insurance against loss to a person who has granted credit if the loss is the result of the insolvency or default of the person to whom the credit was given.

Credit Protection Insurance means insurance under which an insurer undertakes to pay off credit balances or debts of an individual, in whole or in part, in the event of an impairment or potential impairment in the individual's income or ability to earn an income.

Distributors: is defined as a person who, in pursuing activities in a field other than insurance, offers, as an accessory for an insurer, an insurance product which relates solely to goods sold by the person or secures a client's adhesion in respect of such an insurance product.

Questionnaire:

Name of Insurance Company: _____
Person who completed the Questionnaire: _____
Position: _____
Telephone Number: _____
Email Address: _____

If the insurance company does not undertake in the manufacturing and offering of incidental insurance products, then you are NOT required to complete the Questionnaire. Please confirm this by completing the below CEO Attestation and send back the completed and signed Attestation to FSCO by the deadline.

If the insurance company does undertake the manufacturing and offering of incidental insurance products, please complete the Questionnaire and the CEO Attestation provided at the end of the Questionnaire.

CEO ATTESTATION
<p>I (name), _____ OF (city/town) _____ IN THE PROVINCE of Ontario BEING Chief Executive Officer RESPECTIVELY OF (name of Insurance Company) _____ for the fiscal year (YYYY) _____ understand, agree and certify to the best of my knowledge that the insurance company does not undertake in the manufacturing and offering of incidental insurance products.</p>

Please provide a response to each question below. When answering each question, the table will automatically expand to provide space for your responses.

PART 1: TYPES OF INSURANCE PRODUCTS

Question 1:

Please complete the chart provided below of all incidental insurance product types the insurer currently makes available indirectly and the means with which you distribute these products:

Incidental Insurance Product	Product Manufactured and Offered by Insurer (click on box and indicate)	Distribution Channels for each product (Insurer, Bank, Credit Union, MGA, Other)	Percentage of each incidental insurance type as a percentage of total incidental insurance sales in Previous Fiscal Year
Creditor or charge card	<input type="checkbox"/> Yes <input type="checkbox"/> No		
Creditor disability	<input type="checkbox"/> Yes <input type="checkbox"/> No		
Creditor's loss of employment	<input type="checkbox"/> Yes <input type="checkbox"/> No		
Mortgage insurance	<input type="checkbox"/> Yes <input type="checkbox"/> No		
Travel insurance	<input type="checkbox"/> Yes <input type="checkbox"/> No		
Personal accident	<input type="checkbox"/> Yes <input type="checkbox"/> No		
Extended health and dental insurance for students	<input type="checkbox"/> Yes <input type="checkbox"/> No		
Automobile insurance	<input type="checkbox"/> Yes <input type="checkbox"/> No		
Other (please describe)	<input type="checkbox"/> Yes <input type="checkbox"/> No		

Question 2:

Please provide any information below that will assist FSCO in gaining a better understanding of your business distribution channel practices with respect to the selling of incidental insurance products:

[Please provide response here]

PART 2: CONTROL AND OVERSIGHT

2(a): POLICIES, PROCEDURES & PRACTICES

Question 1:

What policies and procedures does the insurer have in place that governs the sale of incidental insurance products across all your distribution channels?

[Please provide response here]

Question 2:

Please describe how the insurer ensures that the documentation presented to the consumer by a distributor is clear, in plain language and presented in a way that the consumer can understand the nature and purpose of the product being purchased?

[Please provide response here]

Question 3:

For product enrollment applications, how does the insurer ensure distributors are able to assess if consumers have the knowledge and ability to understand the application process, including the application questions?

[Please provide response here]

Question 4:

How do you ensure that the application for insurance is clearly distinct from the goods/services being purchased and that it is clearly understood as being separate and voluntary from the goods/services?

[Please provide response here]

Question 5:

What steps do you take to prevent automatic enrollment of an insurance product at the time goods and/or services are sold?

[Please provide response here]

Question 6:

Does the insurer undertake its own marketing, advertising or promotion of incidental insurance products sold through distribution channels to increase enrollment? If so, please describe.

[Please provide response here]

2 (b): COMMISSION / COMPENSATION STRUCTURE FOR DISTRIBUTORS**Question 1:**

What type of commission/incentive structure does the insurer have in place with distributors? Please explain.

[Please provide response here]

Question 2:

Are commissions/incentives paid directly to the distributor and/or to the individual who sold the incidental product? Please explain.

[Please provide response here]

Question 3:

What policies and controls does the insurer have in place to ensure that a distributor's compensation scheme is not influencing the suitability process and assessment of an incidental product sold to a consumer?

[Please provide response here]

Question 4:

Are the commission/incentive structures for all distributors structured the same way? If no, please explain.

[Please provide response here]

Question 5:

Do volume/sales targets form part of the commission/incentive structure for distributors? Please explain.

[Please provide response here]

Question 6:

Describe the process in place for monitoring the compensation paid to the distributor. Is there a monitoring process to identify instances whereby the sale of incidental insurance may not have been suitable for a consumer?

[Please provide response here]

2(c): INSURER EMPLOYEES COMPENSATION STRUCTURE**Question 1:**

Is there a specific department or specific employees within the insurer responsible for the sale and distribution of incidental insurance products? If yes, please respond to the below questions in this section.

[Please provide response here]

Question 2:

Are there specific internal sales and/or retention targets set by the insurer for incidental insurance products? If yes, please describe.

[Please provide response here]

Question 3:

Is the insurer's department and/or employees compensation scheme, incentives or performance evaluations influenced by the sale of incidental insurance products? If yes, please explain.

[Please provide response here]

Question 4:

Please describe how compensation and incentive arrangements consider market conduct factors relating to the sale of incidental insurance products?

[Please provide response here]

2(d): PRODUCT KNOWLEDGE/DISTRIBUTOR EMPLOYEE TRAINING**Question 1:**

How does the insurer ensure that distributors' employees are sufficiently trained, qualified and knowledgeable about the incidental insurance products they are selling?

[Please provide response here]

Question 2:

Does the training curriculum go beyond the benefits and features of a particular incidental insurance product and include the importance of a high-level needs assessment to explain other insurance options available, including how existing coverages may impact the consumer's overall needs?

[Please provide response here]

Question 3:

Describe how the insurer ensures that distributor training programs incorporate changes in products or marketplace developments for both incidental and other similar insurance products?

[Please provide response here]

Question 4:

How are changes to incidental insurance products communicated to distributors?

[Please provide response here]

Question 5:

If applicable, describe how the insurer utilizes a third party to deliver training to distributors?

[Please provide response here]

2(e): DISCLOSURES**Question 1:**

How does the insurer ensure that the distributor considers whether the consumer is in a position at the time of sale to make an informed decision about the purchase of an incidental insurance product?

[Please provide response here]

Question 2:

Describe the nature of disclosure provided to the consumer by the distributor (i.e. summary of terms and conditions, including the exclusions, restrictions and limitations of the contract)? How does the insurer ensure that these are described clearly in an easy to understand format?

[Please provide response here]

Question 3:

Describe how your disclosure practices ensure that consumers are informed that they are contracting or considering contracting with an insurer and not with the distributor?

[Please provide response here]

Question 4:

How are consumers informed that they should contact the insurer for further information or clarification with regards to an incidental insurance product?

[Please provide response here]

Question 5:

How does the insurer ensure that the distributors' sales procedures include the requirement to explain to the consumer the potential negative consequences of inadequate responses to eligibility questions (i.e. pre-existing conditions, etc.) or improper completion of forms?

[Please provide response here]

Question 6:

Does the distributor explain to the consumer that in some circumstances where changes in financing of a credit arrangement/debt (i.e. refinancing) may as a result initiate changes and/or affect their credit insurance such that it could result in the need to apply for new insurance? Please explain.

[Please provide response here]

Question 7:

How does the insurer disclose any form of compensation, if applicable, received by the distributor or an employee of the distributor for selling the incidental insurance product?

[Please provide response here]

2(f): CONSUMER COMPLAINT HANDLING PROCESS

Question 1:

Describe the insurer's procedures to receive, investigate and respond to consumer complaints with respect to the promotion and administration of incidental insurance products? How are these procedures communicated to consumers?

[Please provide response here]

Question 2:

Please list the forums in which a consumer can file a complaint. Please describe how you monitor these forums as a means to mitigate reputational risk.

[Please provide response here]

Question 3:

How does the insurer ensure that the process for a consumer to file a complaint with the insurer is easily accessible and user friendly?

[Please provide response here]

Question 4:

In circumstances where it has been identified through a complaint that a consumer may not have received sufficient information and understanding regarding an incidental insurance product, how does the insurer respond?

[Please provide response here]

Question 5:

Does the insurer track the origination of complaints back to a specific distributor to determine if there is an issue or risk which needs to be addressed with regards to the selling practices of the distributor?

[Please provide response here]

2(g): MONITORING AND SUPERVISION OF DISTRIBUTORS**Question 1:**

What statistical information does the insurer gather and monitor around the sales of incidental insurance products by distributors?

[Please provide response here]

Question 2:

How does the insurer monitor compliance with all agreements that are in place with distributors?

[Please provide response here]

Question 3:

Where the distributor is completing the enrolment process, what procedures does the insurer have in place for monitoring the activities of those handling enrolments?

[Please provide response here]

Question 4:

Does the insurer have a monitoring process to identify instances of negative optioning whereby the client must request to opt out of the insurance purchase?

[Please provide response here]

Question 5:

How does the insurer respond to any possible or confirmed cases of distributor misconduct around the sale(s) of incidental insurance?

[Please provide response here]

3. CEO ATTESTATION

I (name), _____ OF (city/town) _____ IN THE PROVINCE of Ontario BEING Chief Executive Officer RESPECTIVELY OF (name of Credit Union) _____ for the fiscal year (YYYY) _____ understand, agree and certify to the best of my knowledge that the responses that will be provided in this Questionnaire are accurate and complete.

Thank you for completing the Questionnaire and Attestation.