

Agenda Item 4(a)(3)
September 19/17 EOC Meeting

Preliminary/Point Form Content For CAFII Submission On
AMF's "Managing Conflict Of Interest In Relation To Incentives" Issues Paper

CAFII will

- frame/approach our response from a high-level, risk- and principles-based perspective, without getting into or differentiating between specific types of insurance products and without addressing the AMF's specific questions on a deliberate, sequential basis.
- link our comments back, to the degree possible, to IAIS' *Insurance Core Principle 19, Conduct of Business*.
- comment on how the AMF's defines and classifies certain terms in its Issues Paper, including a possible disagreement with its classifying "salary" as an incentive.
- comment that "bonus" has been classified as a high-risk incentive; but that is not always the case, particularly where a bonus is structured as a component of an overall compensation package that is based on a number of objectives and not just sales or premium volume, e.g. a package that includes Fair Treatment of Consumers (FTC) objectives.
- highlight the FTC practices related to compensation and incentives which CAFII members embed in their organizational cultures, egs. ethics and integrity training, policies and procedures to promote FTC; related compliance monitoring, etc.
- comment on CLHIA's February 2016 paper on *Insurance Distribution in Canada: Promoting A Customer-Focused System*, which is referenced in the AMF Issues Paper, and speaks about incentives management on its page 6.
- reference CLHIA Guidelines *G13, Compensation Structures: Managing Conflicts of Interest*; and *G14, Confirming Advisor Disclosure*, to which all CAFII members adhere. These Guidelines are strong examples of how the industry has responded to regulators' concerns re conflict of interest.
- make a linkage to the CCIR Annual Statement on Market Conduct, which has a comprehensive Section 9 on Sales and Incentives Management; and encourage the AMF to use that nationally harmonized vehicle for such regulatory supervision/monitoring initiatives in the future, so as to reduce the number of independent provincial/territorial requests for industry data/responses.
- examine the AMF's 2014 "Summary of Results from Sound Commercial Practices Guideline Self-Assessment Survey" as a basis for additional relevant feedback on the current Issues Paper.