

# **AMF's Revised Commercial Practices Guideline**

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# Commercial practices guideline: What it means for insurers

- ❑ Institutions' behaviour
- ❑ Reputation risk
- ❑ Commercial practices
- ❑ Major solvency issues

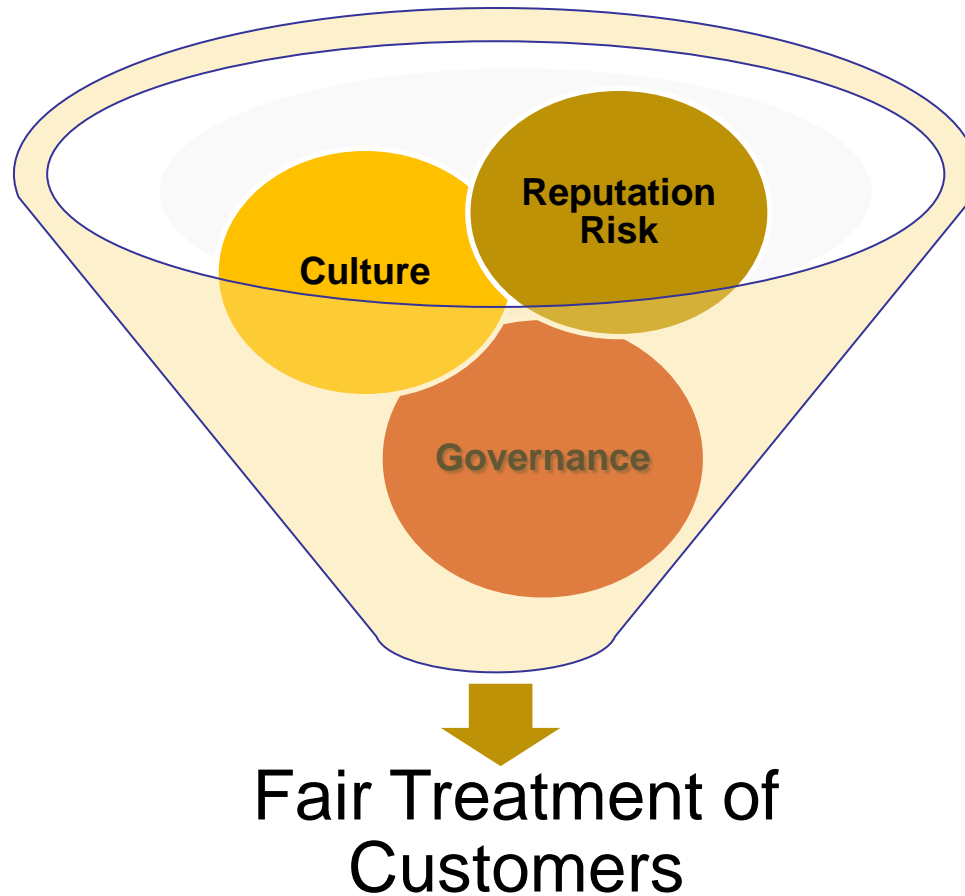
# Commercial practices guideline: What it means for insurers

- ❑ Financial scandals
- ❑ Protection of consumers' interests
- ❑ IAIS, Joint Forum, OECD

# Commercial practices guideline: What it means for insurers

- ❑ Spotless reputation
  - Major strategic edge
  
- ❑ Sullied reputation
  - Could be an institution's downfall

# Commercial practices : a cultural issue



# First draft of the guideline : Holistic approach

- ❑ Roles and responsibilities of the board of directors and senior management
- ❑ Design, selection, promotion and distribution of financial products and services

# First draft of the guideline: Holistic approach

- Advice
- Complaint examination and dispute resolution
- Protection of information obtained from consumers

# First consultation : CLHIA's Comments

« The guideline imposes supervision of independent distributors over which insurers have no control »

« The guideline should focus on the insurer as a manufacturer, not as a distributor »

« [...] The AMF should work with the CCIR [...]»



# Second draft of the guideline : Major changes

First Draft	Second Draft
Roles and responsibilities / Board and Senior management	Roles and responsibilities / Board and Senior management
	Incentives management framework
Design, selection, promotion and distribution of financial products and services	Product design and marketing
	Information for consumers
	Product advertising
Advice	
Complaint examination and dispute settlement	Complaint examination and dispute settlement
Protection of personal information	Protection of personal information

# Commercial practices second draft guideline : Consistency

- ❑ International Core Principles
  - To foster harmonization
- ❑ Considers the existing Canadian regulation
  - To avoid overlapping, administrative burden or arbitrage

# Commercial practices second draft guideline : Consistency

- ❑ With existing best practices across Canada
  - CLHIA's guidelines
- ❑ Between deposit and insurance sectors
  - Principles-based rather than rules-based

# Guideline on commercial practices

- Part A – General expectations applicable to all institutions
- Part B – Expectations specific to a sector or type of institution

# Board's and senior management's roles and responsibilities

- The AMF expects the institution's board of directors and senior management to establish, document and implement strategies, policies and procedures that make the fair treatment of consumers a core component of the institution's corporate culture

# Board's and senior management's roles and responsibilities

- ❑ Tone through their active participation
- ❑ Strong personal commitment
- ❑ Be attentive to :
  - events within their institution and departures from internal policies that compromise the institution's reputation or threaten the fair treatment of consumers

# Board's and senior management's roles and responsibilities:

- Be attentive to :
  - High standards of ethics and integrity
  - Potential conflicts of interests
  - Personal information protection issues

- The AMF expects the financial institution to establish overall compensation strategies [...] to ensure that incentives do not prejudice the fair treatment of consumers



- The AMF expects the financial institution to develop and market its products commensurate with target consumers' interest

# Product design and marketing : CLHIA's Comments

« Serious » financial institutions already define viable products and services; tailor products and services to target consumers; comply with the Distribution Act when distributing products [...] »

« [...] manufacturers ensures to disclose potential conflicts of interests »

# Product design and marketing : CLHIA's Comments

- The comments prompted the AMF to adjust its expectations regarding the design and marketing of products

- The AMF expects the financial institution to draft appropriate disclosure documents on its products to enable consumers to make informed decisions

- ❑ The AMF expects the financial institution to disclose to its clients any change affecting the institution that is of concern to them, all periodic product information and any change to the products they hold or in respect of which they have rights or obligations

- The AMF expects the financial institution to ensure that the information in advertising material is accurate, clear and not misleading

# Complaint examination and dispute settlement

- ❑ The financial institution **must** provide equitable resolution of complaints filed with it
- ❑ Pursuant to the legislative provisions – mandatory issues
- ❑ Principle refer to the AMF Website

- The AMF expects the financial institution to have a policy and procedures that protect the confidentiality of the personal information obtained from consumers



# Claims examination and settlements

- The AMF expects an insurer to examine and settle claims filed with it in an equitable manner using a procedure that is simple and accessible for claimants

- ❑ The Guideline on Individual Variable Insurance Contracts Relating to Segregated Funds is an integral part of the guideline
- ❑ The guideline came into effect on January 1<sup>st</sup>, 2011
- ❑ The guideline is harmonized with the CLHIA's G2 Guideline

- ❑ 2 years transition period after the guideline comes into effect
- ❑ Complaint examination and dispute settlement provisions will be effective as of the final publication
- ❑ AMF will oversee the main implementation steps

- ❑ Advantageous approach both for consumers and insurers
- ❑ Sound and prudent management of reputation risk by an institution can only bring near and long-term benefits

*Thank you !*