



Regulatory highlights

It is so important that customers fully understand what they are purchasing, and the options available to them, particularly when it comes to a complex product like life insurance. To this end, legislation is being reviewed by regulators across Canada to incorporate market conduct, unfair practices, and Fair Treatment of Customers (FTC) into their respective legislation.

This is a reversal from the current thinking that is often communicated as, “Buyer Beware” – putting the responsibility on the purchaser or consumer to have all the information needed to make an informed decision. Now, the onus is on insurance companies and advisors to ensure the buyer has all the information they need to make a wise decision. As well, over the last few years, regulators have been increasing their oversight and authority to enforce suitable market conduct. Legislation and guidelines provide the foundation for their authority, but market conduct regulators are also exercising their authority by increasing oversight audits and investigations.

Regulators for Money Laundering and Privacy have also been busy:

Federal regulators, The Office of the Superintendent of Financial Institutions (OSFI) and Financial Transactions and Reports Analysis Centre of Canada (FINTRAC), are focusing on practices – yours, ours, and our clients’ – that may lead to money laundering and terrorist financing. The obligations to identify and report suspicious transactions have increased, and at *ivari*, we are strengthening our controls for new requirements coming into force in 2021. A key area of the regulators’ concern is Know Your Client – source of funds, occupation, political exposure, residential address – are all important features to verify and record.

Federal and Provincial Privacy Commissioners are focusing on protecting personal information in the new digital, virtual, and global reality. We have all heard of the big privacy breaches of global companies – banks and insurers – but it is also the small, one off breaches, in smaller companies, that have compelled the privacy commissioners to update their legislation and conduct audits and investigations.

Knowing what is expected, and understanding how to be compliant, is key to business success.

With legislation and regulators being more diligent than ever, advisors can be compliant and manage their business well by following a few key tips.

- 1) Maintain your licence in good standing, keep your E&O insurance up to date, join insurance groups like Advocis etc., and keep up-to-date with regulatory requirements.
- 2) Keep your client properly informed by disclosing your credentials and the carriers you represent, and inform clients about the features of each product you present and recommend
- 3) Get all the necessary information from your client, but nothing more than what is necessary
- 4) Keep your client's information safe by never leaving it exposed in an unprotected place or on an unsecured device
- 5) Document advice given to clients using forms, notes and emails so that you are always prepared for an audit or investigation.

Websites

CLHIA – <https://www.clhia.ca>

Office of the Privacy Commissioner of Canada (OPC) – <https://www.priv.gc.ca/en/>

Privacy Guide for Businesses – https://www.priv.gc.ca/media/2038/guide_org_e.pdf

Canadian Council of Insurance Regulators – [CCIR https://www.ccir-ccrra.org/Home](https://www.ccir-ccrra.org/Home)

FINTRAC

- Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA) publication <https://www.fintrac-canafe.gc.ca/covid19/covid-2020-04-22-eng>
- Reporting suspicious transactions to FINTRAC see <https://www.fintrac-canafe.gc.ca/guidance-directives/transaction-operation/Guide3/str-eng>

Frequently Asked Questions

ivari's Advisor Practice Review (APR) process	
Question	Answer
<p>If an advisor is selected for an APR, what can they expect in terms of timelines, submitting documents, etc.</p>	<p>When selected, the advisor will receive an email from <i>ivari</i> Compliance, and their MGA will be copied. The advisor will then have 30 days to submit the following:</p> <ol style="list-style-type: none"> 1. Their completed questionnaire including: <ol style="list-style-type: none"> a. Criminal charges, disciplinary actions, financial health, client complaints 2. All requested documents, including: <ol style="list-style-type: none"> a. Licensing requirements: license, E&O and CE b. Statutory compliance: AML and Privacy Policies and Procedures <p>As well, the advisor will be required to submit ALL documents they have within their client files for the specific policies requested from <i>ivari</i>.</p>
<p>Once an APR is completed, is that report provided to CLHIA?</p>	<p>No, the report is not sent to CLHIA, however a copy of the report will be sent to the advisor's MGA office.</p>
<p>What would be the consequence(s) if an advisor fails the APR?</p>	<p>That would depend on the compliance gaps and deficiencies, which would result in one of the following ratings:</p> <ul style="list-style-type: none"> • Satisfactory/Improvement required/Significant Improvement required/Unsatisfactory. • <i>ivari</i> would work with the advisor, and their MGA office, on a plan to improve the deficiencies going forward.
<p>Will the client files being requested be from the current year, or be from past years when practices may have been different?</p>	<p>The client files that <i>ivari</i> would request would be current. For example, requests for 2020, would be for files written between June 2019 – July 2020 and the documents requested would be:</p> <ol style="list-style-type: none"> a. Advisor disclosure b. Fact-finding c. Financial needs analysis d. Reason why e. Delivery receipt f. Client discussion notes
<p>Is the APR specific to <i>ivari</i>? If an advisor doesn't have any <i>ivari</i> clients, then can they assume they won't receive an APR?</p>	<p>All insurance carriers are required to perform APRs. <i>ivari</i> would not select an advisor who does not have any business with us.</p>

Privacy

Question	Answer
Do I have to have my own Privacy Policy or can I use my MGA's?	<p>Advisors are required to have their own compliance regime that includes Policies and Procedures complying with privacy laws and guidelines. The OPC and your MGA can assist with providing templates, tools, and resources.</p> <p>Office of the Privacy Commissioner of Canada (OPC) – https://www.priv.gc.ca/en/</p>
What is the time frame to notify clients of a privacy breach?	Advisors should not notify clients of a privacy breach. Instead, they should contact <i>ivari</i> and their MGA without delay. The MGA, the advisor and <i>ivari</i> will work together to determine if there is a privacy risk to the client and what actions need to be taken to reduce that risk.
Is having a CRM on an advisor's phone, considered a vulnerability?	First, CRM stands for Customer Relationship Management, which is a customer management software where client details can be stored. <i>ivari</i> does not promote or recommend any specific software for client information/files. To keep client information secure, the software should require a username and password for access. This is true for any client portals, files the advisor keeps, and how advisors transfer client information. All advisor computers/laptops/phones should be password protected, and additional passwords should be required to access client files on these devices.

Fair Treatment of Customers (FTC)

Question	Answer
What is FTC and do advisors need to be compliant with this regulation?	FTC encompasses concepts such as ethical behavior, acting in good faith and the forbidding of abusive practices. Insurance carriers, MGAs and advisors must be compliant with all FTC regulations and their principles.
Can you provide some examples of how advisors are to be compliant with FTC principles?	<p>The following are some examples:</p> <ul style="list-style-type: none"> • Providing clients with accurate and clear information that is not misleading and is sufficient for before, during and after the point-of-sale • Before giving advice, appropriate information should be sought from clients for assessing their insurance objectives and needs including: <ul style="list-style-type: none"> – financial knowledge and experience – needs, priorities and circumstances – ability to afford the product – risk profile

Fair Treatment of Customers (FTC)

Question	Answer
Do you have any suggestions for how an advisor can prove that they are treating their clients fairly?	<p>Ensuring that the following is being done would be a good indication that an advisor is treating their clients fairly:</p> <ul style="list-style-type: none"> • Documenting their interactions with clients • Taking time to explain the insurance product(s) • Taking additional time with vulnerable clients (older, younger, those for whom English is not a first language, clients with any type of disability, etc.) • Taking training programs (CE credited or not) that provides knowledge on product features, the demographic that the product is designed for, etc.

Anti-Money Laundering

Question	Answer
We need to physically see the identification document (ID) from a client. How do we do this in this digital age?	<p>FINTRAC has provided a publication (https://www.fintrac-canafe.gc.ca/covid19/covid-2020-04-22-eng) that relaxes the requirement to authenticate a government-issued photo ID through the use of technology. Where an individual is not physically present, an advisor can apply human judgement to determine whether a document they are viewing appears to be authentic. However, all other requirements related to the use of a government-issued photo ID continue to apply.</p> <p>Expectations for record keeping and re-verifying client identification, as stated above, are temporary and advisors are therefore expected to also:</p> <ul style="list-style-type: none"> • Keep a record of all clients identified using this temporary method; and • Re-verify the identity of clients in accordance with the Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations (PCMLTFR) when the physical distancing measures have been lifted by public health authorities
If an advisor has been told that they must take a photo of the client holding up their ID in order to take signatures over Zoom, what is your advice in that case?	<p>There is no requirement under the PCMLTFR to take a photo of the client with their personal ID. Additionally, due to the personal and sensitive information on identification documents, advisors SHOULD NOT take a copy of the document.</p>

Anti-Money Laundering

Question	Answer
Do advisors have to keep a copy of the government-issued photo ID?	A government-issued photo identification document must be authentic, valid and current. PCMLTRF requires advisors to keep a record of the date on which they collected the information, the source of the information, the type of information referred to, and the account number included in it. If there is no account number included in it, the advisor must keep a record of a number associated with the information. Advisors are to ensure that when they collect ID information on behalf of <i>ivari</i> , and verify the identity of individuals, they have done so in accordance with the PCMLTRF. Advisors should not keep a copy of this information, but it must be written in the application.
What is the time limit for sending a report to FINTRAC?	Once an advisor has reasonable grounds to suspect a transaction, whether attempted or completed, is related to a money laundering or a terrorist financing offence, they must file a Suspicious Transaction Report (STR) with FINTRAC as soon as practicable, and without delay.
What happens if an advisor delays their report to FINTRAC?	“As soon as practicable” should be interpreted to mean that advisors have completed the measures that have allowed them to determine that they reached the Reasonable Grounds (RGS) threshold and as such the development and submission of that STR must be treated as a priority report. For additional information please see https://www.fintrac-canafe.gc.ca/guidance-directives/transaction-operation/Guide3/str-eng

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