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July 9, 2007

Re: Review of Insurer Practices for Managing Conflicts of Interest

I am writing as a follow up to my letter of February 2, 2007 on managing conflicts of interest.

As you know, the Financial Services Commission of Ontario (FSCO) sees the effective management of conflicts of interest by insurers and intermediaries as being essential for consumer protection.

Nationally, regulators have been working together with the insurance industry and have agreed on three principles as best practices for managing actual or potential conflicts of interest in the marketplace:

- Priority of the client's interest;
- Disclosure of conflict of interest and potential conflict to clients; and
- Product suitability.

These principles promote consumer confidence in the insurance industry by outlining best practices for the management of these situations when they arise.

General insurers and Ontario sales intermediaries were at the forefront of setting disclosure standards. I would like to remind you of the ongoing need to exercise due diligence to ensure that your company also adheres to its policies and procedures for managing potential or actual conflicts of interest. All insurers are expected to have appropriate control systems to ensure compliance with their corporate policies.

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On June 29, 2007, in collaboration with other regulators, FSCO launched an online questionnaire to gather information on the practices of agents in managing conflicts of interest. This review will also be extended to insurance companies in the fall of 2007. Like the review of agent practices, the purpose of the initiative is to gain further insight into insurers' practices for managing conflicts of interest in the marketplace.

Additional information about this review will be made available at a later date. If you or members of your staff have questions regarding this project at this time, please contact Richard Chan, Principal Examiner, Market Conduct Branch at 416-590-7541 or rchan@fSCO.gov.on.ca.

Thank you for your co-operation.

Yours truly,

A handwritten signature in black ink, appearing to read 'Bob Christie', written in a cursive style.

Bob Christie
Chief Executive Officer and
Superintendent of Financial Services