

Principles and Practices for the Sale of Products and Services by Property and Casualty Insurance Brokers

This statement of *Principles and Practices for the Sale of Products and Services by Property and Casualty (P&C) Insurance Brokers* is endorsed by the Insurance Brokers Association of Alberta (IBAA) and the Insurance Brokers Association of Canada (IBAC).

1. Interests of the Client

The client's interests take priority over the P&C broker's interests and should not be sacrificed to the interests of others.

Note: *This principle is paramount. All remaining principles and practices expand upon this fundamental principle.*

2. Needs of the Client

In order to understand the client's interests, the P&C broker must obtain or confirm information about the needs of the client and, when making a recommendation, must reasonably ensure that any product or service offered is suitable to fulfill those needs. The P&C broker will facilitate client purchasing decisions so that they may be made solely on the attributes of the insurance product or service offered, including the value of the services of the P&C broker.

Note: *In assessing the needs of the client, the P&C broker should take into account the financial significance and complexity of the product or service being sold.*

3. Legitimate Business Interests

The P&C broker must collect enough information about the client and the transaction to reasonably determine the identity of the client and that the transaction is lawful. The intermediary must not act on behalf of a client when there are reasonable grounds to believe that the transaction is of an unlawful nature.

Note: *When obtaining information about the client and his/her business, P&C brokers must not continue to act for the client if it is known that the transaction is unlawful. In some circumstances, P&C brokers will be required to report the transaction to regulatory authorities.*

4. Professionalism

P&C brokers must act in good faith at all times. They must acquire an appropriate level of knowledge relating to their particular business and meet professional ethical standards, including acting with honesty, integrity, fairness, due diligence, and skill. The concept of professionalism includes but is not limited to the following attributes:

- a. **Education:** In a rapidly changing financial marketplace, P&C



brokers must keep abreast of changes in products, regulations, and other factors that will affect their ability to provide high standards of service to clients. Education, including continuing education, is a necessary component of professional skill.

- b. Holding Out:** P&C brokers must inform the client of the types of activity they are licensed or registered for, as well as the business name(s) of firm(s) under which they are authorized to operate.
- c. Advertising and All Other Client Communications:** P&C brokers must ensure that all references to their business activities, services, and products are clear, descriptive, and not misleading.
- d. Business Operations:** P&C brokers must ensure that their financial records are properly maintained and that they follow sound business practices.
- e. Fair Practices:** P&C brokers must not engage in practices that intentionally mislead the client, place the interests of others ahead of the client's interests, or influence a client to purchase an insurance product or service based on anything other than its own attributes, including the value of the services of the P&C broker. Unfair practices are contrary to the underlying spirit of the principles and practices set out in this document. The P&C broker must refrain from practices that contravene, directly or indirectly, the spirit or intent of any of the requirements of these principles and practices.
- f. Financial Accountability:** P&C brokers should have appropriate resources in place to compensate clients who suffer a loss as a result of an error or omission. P&C brokers must ensure that all financial obligations are met.

Note: *Professionalism means that P&C brokers will strive to adhere to best practices and will not be limited to standards required under law or regulation.*

5. Confidentiality

P&C brokers must protect clients' personal information and take all reasonable steps to ensure that personal information is not divulged and is used only for the purpose for which it was collected unless the client provides proper authorization, or as required by applicable laws or regulations.

Note: *The requirement of confidentiality extends to participants in group plans or other situations whereby there are several individuals covered by a particular policy. A basic requirement for P&C brokers is to ensure that proper care is taken when handling documents that contain personal information provided by clients/group plan participants.*

6. Conflicts of Interest

P&C brokers must avoid knowingly entering into situations where the underlying circumstances could prejudice or bias the direction



of advice they provide. In the case of a conflict of interest, the client must be made aware of the nature of the conflict.

Note: *If a situation arises where a conflict exists and cannot be avoided, the condition can be mitigated only by objective, plain-language disclosure to the client of the nature and impact of the conflict. The client must then be given an opportunity to halt the transaction, to seek other professional advice, or to knowingly proceed with the transaction.*

7. General Information Disclosure

P&C brokers have the responsibility to ensure that the client is fully informed of all relevant information before the client makes a decision. The client is entitled to disclosure of the risks and benefits of the financial products being considered and information about the P&C broker's business relationships that are relevant to the transaction.

Note: *There are two aspects to disclosure, and **both** must be satisfactorily taken into account under these principles and practices: 1. **product information** regarding product or service features, as well as the main risks and benefits inherent in the transaction or purchase; and 2. **P&C broker information** regarding relationship issues that are important to the consumer.*

- a. **Product Information:** P&C brokers must clearly describe the product or service for the client and the ways in which the transaction will fulfil the needs of the client.
- b. **P&C Broker/Business Relationship Information:** Upon request by a client and wherever relevant to the transaction, the P&C broker must include the names of organizations or persons that are, to his or her knowledge, directly providing remuneration to the P&C broker. Upon request by a client and where the outcome of a transaction may be influenced, P&C brokers must also disclose the relationship between the P&C broker and the firm whose product is being considered; and disclose any relationship(s) among the firms directly involved in a transaction. P&C brokers should also disclose any other direct or indirect relationships that are relevant to, and may have influence in, the transaction. Upon request by a client and wherever relevant to the transaction, P&C brokers must also disclose all fees payable by the client, disclose the method of the P&C broker's remuneration (disclosure of specific amount is not required, but disclosure of the type of compensation is—i.e., fixed and percentage commission, salary, or other), and disclose the existence of any other benefits from sales incentive programs related to the transaction (note: as with compensation, this disclosure applies only to the



type of compensation the P&C broker receives, not the specific amount).

8. Client Redress

P&C brokers must deal directly with all formal and informal complaints or disputes, or refer them to the appropriate person or process, in a timely and forthright manner.

9. Definitions

“Client” means any customer or potential customer with whom P&C brokers interact in the course of their business.

“P&C Broker” means an intermediary who has the ability to offer the P&C products/services of several carriers to the insurance-buying public in order to provide the most suitable one(s) for the buyer’s needs. P&C brokers can be an individual or a business.

“Personal Information” has the same meaning as defined by existing federal and provincial privacy legislation.

In some areas these principles and practices may ask P&C brokers to go beyond what is explicitly required by law. Legislative and regulatory requirements specify only minimum obligations that must be complied with, whereas this document sets out best practices that P&C brokers should strive towards as professionals. It is important to note, however, that these principles and practices are not intended to supercede legislative and regulatory requirements. If any principle or practice is inconsistent with a provision of an applicable law, regulation, or rule, the applicable law, regulation, or rule will take precedence.

