

## Managing

# Conflicts of Interest



Protecting consumers is a key objective of **THE INSURANCE COUNCIL OF MANITOBA (ICM)**. To ensure consumers are protected, conflicts of interest between insurers, agents and brokers must be managed effectively.

Regulators, working with the industry, have agreed on three principles as best practices in managing actual or potential conflicts of interest. The principles promote consumer confidence in the insurance industry by outlining best practices for managing these situations when they arise. We hope you will put them to good use.

The three principles for best practices in **MANAGING CONFLICTS OF INTEREST** are:

- **PRINCIPLE NO. 1 - PRIORITY OF CLIENTS' INTEREST**

- \* An intermediary must place the interests of the policy holders and prospective purchases of insurance ahead of his or her own interests.
- \* A broker/agent must:
  - Not knowingly prejudice the interests of a consumer for personal gain;
  - Not take advantage of a client's or an insured's inexperience, ill health or lack of sophistication;
  - Be both candid and honest in advising the client or consumer; and
  - Act with integrity, competence and the utmost good faith.

- **PRINCIPLE NO. 2 - DISCLOSURE OF CONFLICTS OR POTENTIAL CONFLICTS OF INTEREST**

- \* Consumers must receive disclosure of any actual or potential conflict of interest that is associated with a transaction or recommendation;
- \* The disclosure provided to consumers should be brief and tailored to the purchase decision;
- \* The format of the disclosure may be flexible and tailored to different products and distribution channels;
- \* The disclosure should include the following:
  - The names of insurers represented and names of any insurers with which a significant volume of business is placed;
  - Information regarding the extent of the search by the broker / agent for a competitive price and suitable product;
  - The methods of compensation, salary, commission, bonus, contingent profit commission; and
  - Information about any other relationships that may cause actual or potential conflicts of interest including ownership, loans and other financial links, and non-monetary benefits.

- **PRINCIPLE NO. 3 - PRODUCT SUITABILITY**

- \* Brokers and agents should explain to their clients and document the reasons for recommending a particular product. The recommended product must be suitable for the needs of the consumer;
- \* If a product is offered without advice, the advisor should inform the client that no advice is offered;
- \* The expected outcomes include the following:
  - A broker/agent should conduct fact finding appropriate to the circumstances and assessment of the client's insurance needs;
  - The needs assessment should be flexible and reflect factors including: underlying risk, client's objective and complexity of the product being sold; and
  - The broker's or agent's product should meet the client's identified needs.

Several industry associations have prepared tools to help you apply these principles. For a list of online resources, go to [www.ccir-ccrra.org/CCIR/iprc.htm](http://www.ccir-ccrra.org/CCIR/iprc.htm). This page will be updated as new resources become available, so visit it often.

You may also be called upon in the new year for participation in assessing the degree of application of these principles in the marketplace, as in 2008 ICM plans to review the use of these principles by agents and brokers in the marketplace.