



## **Guideline G19**

### **COMPENSATION DISCLOSURE IN GROUP BENEFITS AND GROUP RETIREMENT SERVICES**

*This Guideline has been approved by the Board of Directors of the Canadian Life and Health Insurance Association Inc. (CLHIA). Member Companies are expected to adopt this CLHIA Guideline having regard to the company's structure, products and business practices, including distribution channels. Member Companies are urged to incorporate this Guideline into the company's ongoing compliance program.*

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### **1. INTRODUCTION**

Insurers are working to promote customer-focused practices across all business lines, including Group Retirement Services and Group Benefits. This includes providing appropriate disclosure of Compensation paid to Intermediaries.

### **2. PURPOSE**

This Guideline is intended to establish industry standards for the disclosure of Intermediary Compensation for Group Retirement Services and Group Benefits.

### **3. SCOPE**

This Guideline applies to the Group Retirement Services and Group Benefits business of all member companies, regardless of the form of compensation paid or provided, or the distribution channel used.

In the event of any conflict between the provisions of this Guideline and any applicable law, the law takes precedence over the Guideline to the extent of the conflict. This Guideline does not override any responsibility established by legislation.

In the case of capital accumulation plans, this Guideline is intended to complement the responsibilities of service providers that are set out in CAPSA Guideline No. 3 – Guidelines for Capital Accumulation Plans (May 2004).

### **4. DEFINITIONS**

As used in this Guideline:

**Compensation:** means all direct, indirect, and in-kind remuneration paid or provided to an Intermediary.

**Contract Holder:** means a legal entity which enters into a contract of Group Retirement Services or Group Benefits with an insurer in respect of Plan Members of a group.

**Group Benefits:** means protection for the lives or health of a number of Plan Members covered under a contract or contracts between an insurer and a Contract Holder. This does not include creditors group insurance or affinity products.

**Group Retirement Services:** means retirement plans and group savings programs offered to Plan Members.

Intermediary: means a licensed advisor other than an employee of an insurer, which may include a managing general agent, firm, corporate broker or national account or a fee-for-service consultant who arranges for Group Retirement Services or Group Benefits coverage, but does not include employees of insurers.

Plan Member: Each primary person insured under a Group Retirement Services plan or a Group Benefits plan, but does not include a person insured under a Group Insurance plan because of their relationship to a primary person.

## 5. GENERAL PRINCIPLES

### **Customer-focused approach**

Insurers should promote a culture of treating customers fairly.

### **Clear disclosure**

Insurers should clearly disclose to Contract Holders all forms of compensation paid to Intermediaries.

### **Insurer accountability**

Insurers should use contractual or other means to ensure compliance with this Guideline.

## 6. COMPENSATION DISCLOSURE

Insurers will disclose to Contract Holders all Compensation paid or provided by insurers to Intermediaries and third party administrators.

- For Group Retirement Services, this includes, but is not restricted to: any Compensation paid in relation to transfers; retentions; cash flows; trailer fees; bonuses; marketing allowances; transition allowances; sponsorships; and travel and conference incentives.
- For Group Benefits, this includes, but is not restricted to: any Compensation paid in relation to premiums or claims paid; bonuses; marketing allowances; transition allowances; sponsorships; and travel and conference incentives.

## 7. FORM OF DISCLOSURE

The disclosure should be provided in a report from the insurer to the Contract Holder, with some flexibility on timing as noted below. The disclosure must be clear and may be made in electronic or other written form.

For Group Benefits, the Compensation disclosure should be reported as a percentage of premiums or claims paid, if applicable, and as a real dollar value.

For Group Retirement Services, the Compensation disclosure should be reported as a percentage of contributions received and assets under administration, and as a real dollar value.

For both Group Retirement Services and Group Benefits:

- In some cases, the disclosure will represent a reasonable estimate of the compensation the insurer expects to pay the Intermediary. In such cases, the insurer will clearly indicate that the disclosure is an estimate.
- In other cases, the Compensation may be calculated annually in arrears, in which case a real dollar value will be disclosed.

## **8. TIMING OF DISCLOSURE**

For new contracts, insurers will provide the Contract Holder with Compensation disclosure on or before the effective date of the contract.

For ongoing contracts, insurers will provide the Contract Holder with Compensation disclosure at least annually and insurers have discretion as to whether it occurs at renewal date or on a calendar basis. However, when there is an increase in the direct Compensation with the Intermediary the insurer will provide the Contract Holder with notice, on or before the effective date of the change.