



Compliance Update for Life Licensed Agents

AUGUST 16, 2019

Overview



This is an informal internal meeting to

- review recent developments in the industry
- safeguard both agents and clients alike
- ensure clients are getting the products/services that they need and expect. Regulator's expectation

This presentation is designed to make you aware of the

- new requirements
- best practices and
- to introduce you to some new paperwork

Changes to Cover

1. Client's Right to Privacy
2. Anti Money Laundering and Terrorist Activities
3. Complaint Handling and Dispute Resolution
4. Agents Disclosure
5. Clients Reasons Why and Acceptance
6. Where to go to find review details

Right to Privacy



Two federal privacy laws in Canada,

The Privacy Act, July 1983 gave people right to access and correct personal information held by Federal agencies

The Personal Information Protection and Electronic Documents Act (PIPEDA) over 2001-2004 *Federal Legislation*

- gave people the right to control their personal information, by
- requiring organizations to obtain consent to
- collect use and disclose their personal information
- Sets out rules on how to, collect, use and disclose personal information.
- Individuals have right to access and request correction of personal info

Right to Privacy



PIPEDA states personal information must be:

- collected with consent for a reasonable purpose
- Collected, used, disclosed for the *limited purpose*
- Accurate
- Accessible for inspection and correction
- stored securely, in locked cabinet, in locked room

Right to Privacy



Provincial Privacy Legislation

- some provinces have privacy act that are “substantially similar” to PIPEDA, *BC, Alberta, Quebec*
- all other provinces regulations fall under PIPEDA and applies to your business in Ontario

Right to Privacy



Personal Information not included under PIPEDA

- Information available in telephone directories
- Business Cards
- Professional or business directories
- Governmental or non-governmental registries
- Records of quasi-judicial bodies
- Information from magazines, books and newspapers
- *Any information that is available in the public domain*

Right to Privacy



What is personal information?

- Name, Home Address, Phone Number
- Date of Birth
- Race, Ethnic Background, Religion
- Height, Weight
- Citizenship, Country of Residence
- Medical Records
- Marital Status, Number of Dependents
- Banking information, Spending Habits
- Education, Occupation, and Income

Right to Privacy



What is NOT personal information?

- Name
- Job Title
- Business Address
- Office phone number of an employee or an organization

Any business information that identifies a person is not personal information.

Right to Privacy



What about **Social Insurance Number?**

Should not be used as a general identifier

BUT...

The financial services industry is required to collect SIN number as mandated by the *Income Tax Act* for *tax reporting purposes*.

Right to Privacy



The 10 Guiding Principle of PIPEDA?

- Accountability
- Identifying Purposes
- Consent
- Limiting Collection, Use, Disclosure and Retention
- Accuracy
- Safeguards
- Openness, Individual Access
- Challenging Compliance

Right to Privacy



PIPEDA applies to anyone or any firm who collects, uses or discloses personal information as part of a business activity!

Landmark Canada is required to:

- Develop a privacy policy
- Conduct internal audits of what personal information is collected, what consents obtained, how we use and disclose it
- Appoint an Individual responsible for compliance who will respond to complaints
- Incorporate privacy disclosure information into client documentation
- Landmark operations in different provinces so will follow PIPEDA guidelines for all

Right to Privacy



How does Landmark Canada honour PIPEDA?

- Privacy and Consent Statements clearly included in “La Capitale Life and Disability Applications”.
- The client should be directed to this statement and told that their information will be handled under PIPEDA rules and regulations.

Right to Privacy



How does Landmark Canada honour PIPEDA?

- Currently La Capitale Investment Account Application does not include a Right to Privacy statement.
- We will have a Right to Privacy Statement to add at the point of sale

Anti Money Laundering



June 2000, the *Proceeds of Crime (Money Laundering) Act* became law which established "*The Financial Transactions and Reports Analysis Centre of Canada*" known as FINTRAC

The act imposed a requirement to
"*verify the identity of prospective clients and to report certain prescribed transactions*"

Anti Money Laundering



Nov 2001, the *Suspicious Transaction Reporting Regulations and the Anti-Terrorism Act*

With the goal to “identify, deter and prosecute terrorist groups operating in Canada”

Under the act suspected terrorist transactions, assets or funds must be reported to FINTRAC

Anti Money Laundering



What is money laundering and terrorist activity financing?

The process whereby criminals attempt to conceal the true origins of the proceeds of criminal activities such as,

- Illegal Drug trafficking,
- Bribery
- fraud and
- extortion

Object is to make dirty money, clean to be used in legitimate businesses.

Anti Money Laundering



Money Laundering is a big growing business!

If Financial Services companies disregard what clients are up to, they could unwittingly become party to money laundering and be seriously impacted by legal and financial implications.

Under Canadian law it is a crime to knowingly collect and provide funds, either directly or indirectly with the intent of carrying out terrorist crimes.

Anti Money Laundering



What products are vulnerable and why?

Life Insurance, and Segregated Funds can be attractive to money launders and terrorist financiers due to

- Wide variety of investment options
- Liquidity
- Portability
- Ease of transfer
- Purchased in large amounts without falling under review

Anti Money Laundering



Life Insurance Agents and brokers are;

Required to report

completed and suspicious transactions to FINTRAC

No matter what the transaction size. There is no minimum

Suspicious Transactions are:

- reasonable grounds to suspect a commission of a money laundering or terrorist financing act.
- acts that are outside circumstances of normal industry business practices and systems

Anti Money Laundering



Who must report suspicious complete or attempted transactions?

- Life Insurance Agents/ Brokers
- Agencies
- Insurance Companies
- Securities dealers, portfolio Managers, Investment Counselors
- Banks, Trust and loan companies
- Employees of these entities or persons
- Lawyers, accountants, real estate agents

All responsible to report transactions to FINTRAC

Anti Money Laundering



Suspicious Transactions?

- Transactions unnecessarily complex
- Does not appear to be financially advantageous
- Client shows unusual interest in internal systems, controls
- Life Insurance or Investment funds client who has made small policy or investment transaction, sudden request to make a substantial large lump-sum deposit.
- More common indicators in **Landmark Anti-Money Laundering Policy Manual Pages 9-12** on website

Anti Money Laundering



What are penalties for not reporting?

Failure to report when required;
up to five years imprisonment
a fine of \$2,000,000
or both

Financial Security advisors, Agents, Mutual Fund dealers and brokers are not considered employees and must report all suspicious transactions directly to FINTRAC

NOTE you are not required by law to terminate your dealings with the suspected client.

How to Handle a Complaint



The process for resolving any Dispute

Applies to Landmark Canada, its officers, representatives and employees

Person responsible is the Complaints Officer who insures complaints are handled according to policy

Complaints Officer may

- Delegate handling of certain complains, who responds to CO

- Acts as contact person to any regulatory body

- Ensures handling of complaints and the dispute resolution

Sources of incoming complaints for the Agency,

- the Insurer,

- the agent

- the customer

- the Regulator

Some grievances can be resolved by the Agent

If not resolved, or when a complaint remains dissatisfied, a written complaint should be submitted to the Complaints Officer Landmark Canada

How to Handle a Complaint



What is a Complaint?

Any written or recordable expression of dissatisfaction/grievance regarding the Agency's or Agent's business practices

Must Include one or more of the following

- A criticism against the Agent, Agency or Insurer
- Identification of actual or potential harm to the complainant
- Request for Remedial action

NOTE: Informal steps to correct a specific problem are not considered a complaint if it is resolved as part of normal business activities and the clients issues have be resolved and not escalated.

How to Handle a Complaint



How to handle a Complaint

- complaint must be forwarded to Complaints Officer (CO)
- receipt of complaint is acknowledged
- further information may be requested

The CO gathers

- facts from the client and
- internal facts related to the complaint
- conducts analysis
- Notifies the insurer if collaboration or if reputational risks exists

A thorough analysis is conducted,

A written final response is sent with reasons for the decision

Complaint file is created to document all correspondence

Agent's Disclosure



When a consumer is considering the purchase of a life or health insurance product, it is important

- they have good information about the product,
- how it meets their needs,
- the company offering the product, and
- the advisor and their business relationships.

This document focuses on disclosure about the advisor which should be given in writing to the client prior to the sales transaction.

Agent's Disclosure



REQUIRED INFORMATION

- Identify as a licensed agent in your province
- Companies that you represent
- Nature of relationship with companies represented
- Ownership
- Compensation including additional compensation and trips
- Conflicts of interest

Landmark Canada Advisor Disclosure



Companies I represent: I have the ability to represent the following companies,

- | | |
|---|---------------------------------------|
| <input type="checkbox"/> La Capitale Insurance and Financial Services | <input type="checkbox"/> Other _____ |
| <input type="checkbox"/> iA Group Industrial Alliance | <input type="checkbox"/> Greenshields |

Relationship with companies I represent:

No insurance company holds an ownership interest in my business, nor do I hold an interest in any insurance company.

Compensation:

If you choose to purchase a product through me, I will be paid a sales commission by the company providing the product or service. I may receive a renewal/service commission to continue to provide you with expert advise as you keep the policy in force. I may also be eligible for additional compensation, such as bonus', or non-monetary benefits, such as travel incentives base on the number of families I have helped or the quality of applications I submit to a particular company over a given time.

Conflict of Interest:

I take the potential of a conflict of interest very seriously. I will notify you if there is a conflict of interest of which I become aware regarding my recommendations to you. My overall considered recommendation will be based on my analysis of your personal financial needs.

More Information:

I am A&S Insurance licensed in the province of Ontario, should you require additional information about my qualifications or the nature of my business relationships, I would be pleased to assist you.

Reason Why Letter



Purpose of a Reason Why Letter

For the Advisor:

- Confirm Facts
- Verify the direction received from the client
- Identify needs product meets and needs left uninsured
- Document that the sale is a suitable recommendation
- Substantiate the client's understanding

For the Client:

- Check accuracy
- Review that the product meets their needs
- Review any gaps in coverage
- Review the reason for the advisors
- Contact their advisor if something is incorrect or forgotten about the sale
- Documentation about why a particular product was purchased

Reason Why Letter



Reason for our product recommendation

As a self employed individual, replacement of monthly income due to accident (and/or sickness) is essential to you and your family's financial well being. Based on the information you shared with us, we have recommended an insurance policy that would replace \$_____ per month of your income if a covered event should occur. You have decided to accept an amount of \$_____ per month.

Replacement of your income in the event of a death, is also important for your family's financial well being. Based on your information, our recommendation life insurance to cover your need is _____ of _____. You have chosen to take the amount of _____.

You may revisit the type, and amount of coverage you have within _____ months or any time.

If you would like to have any additional information or clarification please feel free to contact me or our head office.

Policy Number _____ Type of Insurance Coverage _____

Agent Disclosure/Reason Why Letter

NEW REQUIREMENT/ ACTION

A Completed Agent Disclosure/Reason Why Letter

- will be delivered with every new policy carry-back
- copy left with client
- signed copy returned with delivery receipt for HO files and records
- This satisfies the Regulators requirements

Inspect what you Expect!



Regulators and Insurers can audit your recommendations and files at anytime

They will be looking for

1. **A Needs Analysis** - to show that you know the clients situations and needs
2. **Reason- why letter** – an explanation how your product recommendation fulfilled the clients needs.
3. **Advisor Disclosure** – *you are transparent in all that you do*
 - identify you are licensed in your province
 - you will earn compensation
 - you may qualify for additional compensation
 - you will advise any conflict of interest that may arise
4. You are aware of **AML, Privacy Policy, Complaint Handling Procedures**
5. Copies of your **CE Credits** for your last renewal

Online Resources



All compliance documents are available online at

www.myselfemployedbenefits.ca *Compliance Tab PW “protect”*

- Anti-Money Laundering and Anti Terrorist Funding Manual
- Privacy Policy, Written Procedures
- Complaint Handling, Written Policy and Procedures
- Advisor Disclosure and Reasons Why Form for A&S Only Agents
- Advisor Disclosure and Reasons Why Form for Life, A&S Agents
- CLHIA Standardized Agent Practice Review
- Life Broker Roles and Responsibility Summary with Self Risk Assessment Checklist

Asked to Bring to Meeting

For your last two life and investment sales,

1. Notes on how life insurance amount was calculated and product determined
2. Notes on how investment amount and investment type was determined. *La Capitale Profile Selector*
3. Your thirty CE credits for your last license renewal.

Open Discussion



Who uses a consistent method to determine amount of life insurance coverage needed?

What needs can be covered by life insurance?

What insurance products do you use?

Who has done investment products sales with clients?

What registered products do you usually promote?

How do you determine the amount of investment?

How often do clients use monthly PAC?

Open Discussion



What tools do you use?

For determining Life Insurance Need

For determining investments Need and amount to save

Current Life Coverage**Immediate Cash Needs**

	Applicant	Spouse
Final Expenses	25,000	25,000
Pay Off Debt	15,000	5,000
Pay off Mortgage	280,000	280,000
Fund Children's Education	80,000	80,000
TOTAL (A)	400,000	390,000

If something should happen to you/ death....

Do you know what your final expenses might be?

Would you want your debts paid off?

Would you want your mortgage paid off?

Would you want child's education paid for?

Annual Survivors Goal

Survivor's Income Goal (B)	60 %	40 %
Number of Years to Provide	15	15

If you should die, how much of your family's income would be required to maintain your

standard of living? 40% 50% 60% 70%?

How long till youngest child turns 25?

Coverage Need to Replace Survivors Income

$$\text{Income } \underline{60,000} \times (B) \underline{60\%} \times \underline{12.07} \text{ TVF} = \underline{434,520}$$

Amount to pay Debts/ Educ. Plus (A) 400,000

TOTAL 834,520

Interest	Years to Provide	10 yrs	15 yrs	20 yrs	25 yrs	30 yrs	35 yrs	40 yrs
Rate 3%	Income							
Time Value Factor		8.63	12.07	15.03	17.57	19.76	21.65	23.28

Use the table to find the Time Value Factor (TVF) to complete the formula above. This calculates the amount of insurance coverage, that when invested will provide the family with the required income for the period needed

For Example: 70k income X 60% (0.6) income goal for 20yrs X 15.03 (TVF) = \$631,260

\$631,260 is the lump sum of money need to provide a family with \$42,000 worth of income for 20 years.

Conclusion

Life Insurance companies, the Insurance Regulators and Landmark and audit your files at any time.

You are required to have a

- Client Disclosure

- Reason Why Statement

- Be able to show your needs analysis for each client.

- A working knowledge or

- Privacy Statement PIPEDA

- Anti-Money Laundering and Anti-Terrorist Financing

- Complaint Procedures and Handling

Conclusion

This concludes our introduction to Compliance

We will be additional meetings as required

We will be handing out a confirmation of your attendance at this meeting which you should read and authorize

THANKS FOR YOUR INPUT AND ATTENDENCE

REMEMBER

Compliance is BUSINESS PROTECTION

protecting your clients, protecting your business and
your ability to earn and income for many years to come