NEWS RELEASE
For Immediate Release
Canadian Council of Insurance Regulators
Canadian Insurance Services Regulatory Organizations

CCIR and CISRO release new guidance on incentive management under the fair treatment of customers

November 30, 2022

TORONTO – The Canadian Council of Insurance Regulators (CCIR) and the Canadian Insurance Services Regulatory Organizations (CISRO), collectively referred to as “regulators,” today released the Incentive Management Guidance (IMG). The IMG is a joint CCIR and CISRO guidance that provides additional details complementing the Conduct of Insurance Business and Fair Treatment of Customers guidance (“FTC Guidance”) released in September 2018.

Since the release of the FTC Guidance in 2018, industry participants have indicated to regulators that more clarity is needed regarding the overarching expectations for how insurers and intermediaries conduct insurance business. Specifically, section 6 of the FTC Guidance with respect to the area of remuneration and conflicts of interest. The IMG speaks to principles in the areas of i) governance, ii) design and management of incentive arrangements, iii) risks of negative outcomes to customers, and iv) controls, and also provide current in-market examples where risks of negative customer outcomes can occur if not properly managed.

The IMG applies to insurers and intermediaries that pay compensation and/or design incentive arrangements. Insurers and intermediaries have the responsibility of ensuring that their compensation programs are aligned with the principles of the FTC Guidance. They also obtain reasonable assurance that the actions taken by persons and entities acting on their behalf in the sale and service of insurance products meet their incentive management expectations and contribute to achieve FTC. Ultimately, the insurer bears the responsibility for FTC throughout the product’s lifecycle.

Like the FTC Guidance, it is principles-based and provides insurers and intermediaries with the discretion necessary to devise strategies, policies and controls in support of fair customer outcomes based on the nature, size and complexity of their business activities.

“We heard from industry that more clarity is needed in the area of compensation and conflicts of interest and regulators consulted and worked collaboratively with our stakeholders to further express our expectations,” said Robert Bradley, Chair, CCIR.

“We want to thank the insurance intermediaries for sharing their insights on this guidance and therefore, continuing to contribute in the important role they play in the fair treatment of customers. We are confident that the released guidance will help to ensure the risks arising from compensation are properly
managed, while ensuring the insurance intermediaries are compensated for their services to customers.” said Eric Jacob, Chair, CISRO.

**Background**

In 2018, the Canadian Council of Insurance Regulators (CCIR) and the Canadian Insurance Services Regulatory Organizations (CISRO) implemented *CCIR-CISRO Guidance: Conduct of Insurance Business and Fair Treatment of Customers* (FTC Guidance). The FTC Guidance supports the strategic priorities of both CCIR and CISRO.

After the release of the FTC Guidance, CCIR and CISRO continued to meet with insurers and intermediaries on its implementation. In these meetings, stakeholders requested further direction on the application of fair treatment principles to incentives, and shared information about common industry practices in this area. CCIR and CISRO concluded that some incentive practices may present risks to the fair treatment of customers, and that there was insufficient evidence that these risks were being properly managed. As a result, CCIR and CISRO undertook to develop additional guidance specific to the alignment of compensation and incentives structures with FTC Guidance principles. The *Incentive Management Guidance* is the product of that work.

**About CCIR**

The Canadian Council of Insurance Regulators is an inter-jurisdictional association of insurance regulators. The mandate of the CCIR is to facilitate and promote an efficient and effective insurance regulatory system in Canada to serve the public interest. CCIR members work together to develop solutions to common regulatory issues.

**About CISRO**

The Canadian Insurance Services Regulatory Organizations is a forum of Canadian regulatory authorities who are dedicated to consistent qualifications and conduct of business standards for insurance intermediaries. CISRO members collaborate on initiatives that support a consistent approach to consumer protection through the regulation of insurance intermediaries.

**Media Contacts**

Russ Courtney  
(For English media - Toronto)  
437-225-8551

Sylvain Théberge  
(For French media - Montréal)  
514-940-2176