



September 7, 2018

8800 Dufferin Street, Suite 304  
Concord, Ontario  
L4K 0C5

CLHIA  
79 Wellington St. West, Suite 2300  
P.O. Box 99, TD South Tower  
Toronto, Ontario  
M5K 1G8

Attn: Mr. Stephen Frank  
President & CEO

**Re: The Benefits Alliance Group Position on Compensation Disclosure**

Mr. Frank,

We hereby submit the following **Benefits Alliance Group Position on Compensation Disclosure** for your review and action.

**The Benefits Alliance Group** is Canada's Leading National Alliance of Independent Employee Benefits Advisors. **The Benefits Alliance Group** is comprised of independent member firms with more than 175 advisors. Collectively we administer over 6,000 employee benefits plans with \$1.15 billion of group insurance premium, and 1,100 group retirement plans and over \$2.5 billion in retirement plan assets.

### **The Benefits Alliance Group Position on Compensation Disclosure**

#### **Introduction:**

The group benefits and pension advisory community has independently represented the interests of plan sponsors for decades. The role involves educating clients on strategies, products, services, service providers, technology and communications with the goal of designing and managing programs that provide value to these organizations. It is a dynamic process that requires extensive knowledge of products and service providers.

Plan Sponsors purchasing group insurance, retirement, and related employee focused products and accompanying services have a right to understand the costs associated with these products and services.

The Benefits Alliance agrees that transparency by all stakeholders is critical.

In the view of The Benefits Alliance, there are a number of issues and gaps related to true transparency that are rooted in G19 as interpreted by insurance companies and their trade association, the CLHIA. As a

result, The Benefits Alliance and the undersigned organization of professional benefits and pension advisors feel it necessary to submit this position paper to all stakeholders.

We do not believe it is the role of the CLHIA to be both the developer and interpreter of such Guidance – the quasi regulatory role assumed by such a powerful trade association is littered with serious conflicts of interest.

There is an obvious disconnect between the mandate of the CLHIA to represent the interests of its member organizations and the spirit of CCIR/CISRO interest in the fair treatment of the consumer. The CLHIA does not represent or speak for advisors or consumers – the CLHIA is removed from having an understanding of the plan sponsors' perspective and are solely focused on the mandate set for them by the member insurance companies. Whereas the CCIR/CISRO talk about inculcating principles of how consumers should be treated throughout their experience by way of implementing principles in the form of guidance, one cannot minimize or ignore the incongruence between CCIR goals and objectives and the role of the CLHIA. The role of the CLHIA in acting like a regulator is concerning given the clear conflicts of interest, their remoteness to the plan sponsor, and their oversight by the insurance companies. It is for these reasons that the group benefits and pension advisory community feels it is vital to the best interest of plan sponsors to put forward a comprehensive position on the disclosure of compensation relating to employer sponsored financial products and services.

### **Purpose:**

Policies/guidelines should provide standards for the disclosure of the costs of products and services to the client regardless of the distribution channel. The policy should promote a level competitive environment where plan sponsors are able to make an informed decision regarding products, services, supplier and distribution channel with a clear understanding of the costs and corresponding value proposition. The plan sponsors' best interests must be paramount.

### **Guiding Principles:**

#### **Scope**

- Key stakeholders (plan sponsors, independent advisors, insurers/suppliers) must all be considered in the policy.
  - The current scope of G 19 is only focused on the “intermediary”/advisor.

#### ***Recommendation 1***

**A disclosure policy must be comprehensive and focus on all stakeholders.**

#### **Transparency**

- Transparency of services and costs to plan sponsor must be all inclusive. Disclosure must focus on overall cost to the plan sponsor and not only a portion of the costs, or the costs associated with just

**Guiding Principles (cont'd):**

one distribution channel. The nature of a disclosure policy implies that plan sponsors understand the cost of the product, service, and channel.

***Recommendation 2***

- a) **True transparency requires that the costs for an advisor's services to be clear to the plan sponsor. Similarly, the cost for the service provided by an insurer/supplier that is using a direct to client business model must also be transparent. Both methods must be governed by the same disclosure policy.**
- b) **Disclosure should be focused only on costs that are specifically and directly charged to the plan sponsor.**

**Fair Treatment of Client**

- Fair Treatment of customers is paramount.
- In order for plan sponsors to make an informed decision they must have access to information that allows them to understand;
  - Services provided by each channel
  - Costs of services by channel

***Recommendation 3***

**Mandate that costs associated with using different channels are clearly presented in an understandable and meaningful way to plan sponsors which will allow them to make an informed decision.**

**Conflicts of Interest**

- Current insurer designed bonus arrangements may lead to behaviour from insurers (their employees) and/or advisors that may not be in the best interest of the plan sponsor.
  - The CLHIAs G 19 fails to recognize the insurers' purposely designed bonus arrangements inherently create a conflict of interest.

***Recommendation 4***

- a) **Representatives be obliged to disclose services and compensation as per the policy, and provide confirmation of the same:**
  - i) **Whether independent advisors or insurer direct.**
  - ii) **Insurer has the right to request disclosure confirmation.**
- b) **Direct dealing statements to consumer where independent advisor is absent:**
  - **It is foreseeable that plan sponsors will approach (as they currently do) insurers with the assumption that dealing direct will reduce costs of products and services. In order to maintain choice in the market for plan sponsors that fosters fairness for all**

**Guiding Principles (cont'd):**

**stakeholders, insurers should be mandated to disclose costs associated with direct representation and note the absence of independent advice.**

**Best Interest of Client**

- The plan sponsor community is best served by the existence of an independent advisory network to provide unbiased advice and counsel, free of conflict of interest, in the design of programs and selection of service providers. Plan sponsor solutions often require more than a single insurer/supplier to generate the best outcome for the client, most plan sponsors do not have in-house expertise to effectively accomplish these best outcomes.

***Recommendation 5***

***The regulatory environment must acknowledge the value qualified advisors provide to plan sponsors in making informed decisions.***

**Prohibited Practices**

**'Stay Bonuses' for Pension Plans;**

***Recommendation 6***

**Insurer promoted, or advisor solicited bonuses to maintain the existing service provider is not fair to clients.**

We await your timely reply and look forward to a partnership approach to resolve our concerns.

Regards,



Gil McGowan  
President  
The Benefits Alliance Group Inc.  
Office: (905) 669-5577 Ext. 225  
Mobile: (647) 624-2103  
Email: [gil.mcgowan@benefitsalliance.ca](mailto:gil.mcgowan@benefitsalliance.ca)

Cc: Tony Toy, Senior Policy Manager, Canadian Council of Insurance Regulators  
Adrienne Warner, Policy Manager, Canadian Council of Insurance Regulators  
Greg Pollock, President & CEO, Advocis  
Ed Skwarek, Vice President, Regulatory and Public Affairs, Advocis  
David Holm, Benefits Alliance Board Chair  
Todd Stephen, Benefits Alliance Group G19 Working Group Chair