

Superintendent of Insurance

Interpretation Bulletin

Bulletin Number:	08-2023
Title:	Adoption of CCIR/CISRO Incentive Management Guidance
Date:	July 11, 2023
To:	All licensed insurers and intermediaries in Alberta

Purpose

The purpose of this Interpretation Bulletin (Bulletin) is for the Superintendent of Insurance (Superintendent) and the Alberta Insurance Council (AIC) to inform all insurers and insurance intermediaries (intermediaries) carrying on business in Alberta of their expectations to develop incentive arrangements which align with Fair Treatment of Customers (FTC). Insurers and intermediaries are expected to put in place policies, procedures, and controls to meet their obligations and avoid or properly manage conflict of interest risks in their incentive arrangements. This Bulletin is issued by the Superintendent pursuant to section 792.1 of the *Insurance Act* (Act) and with the cooperation of the AIC.

Background

The fair treatment of customers is a top priority of financial services regulatory authorities in Canada and internationally. Through [Superintendent Bulletin 02-2019](#), the Superintendent and AIC jointly adopted the [Fair Treatment of Customers Guidance](#) (FTC Guidance), issued by the Canadian Council of Insurance Regulators (CCIR) and Canadian Insurance Services Regulatory Organizations (CISRO). On November 30, 2022, as a complement to the FTC Guidance, the CCIR and CISRO jointly issued their [Incentive Management Guidance](#) (IM Guidance). The Superintendent and the AIC, as members of CCIR and CISRO respectively, played an active role in the development of the IM Guidance.

Expectations

As Alberta's insurance market regulators, the Superintendent and the AIC consider the fair treatment of customers fundamental to sound market conduct practices and expect insurers and their intermediaries to apply the principles set out in the IM Guidance in

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their development and implementation of performance management programs and incentive arrangements related to the sale and servicing of insurance products. The Superintendent and the AIC expect insurers and intermediaries to use the principles set out in the IM Guidance to inform their policies, procedures, and controls and to apply the IM Guidance based on the nature, scope, and size of their respective businesses. Intermediaries who operate under an incentive arrangement are expected to effectively mitigate and manage conflicts of interest and prioritize customers' interests as described in the FTC Guidance.

We understand that a transitional period is needed for organizations to review and incorporate the IM Guidance. It is our expectation that implementation of the IM Guidance principles begins immediately and are meaningfully embedded in organizations by April 1, 2024.

Future regulatory reviews conducted by our offices will look for alignment with the IM Guidance.

The Superintendent and the AIC will consider the principles of the FTC Guidance and IM Guidance when interpreting what are unfair acts or practices pursuant to section 509 of the Act.

Penalties for non-compliance

Insurers and intermediaries are obligated to comply with the requirements of the Alberta regulatory approach, including the requirements of the Act and its associated regulations.

For insurers, the Superintendent confirms that where the Superintendent is of the opinion that an insurer has contravened section 509 of the Act, the Superintendent may require that insurer to pay an administrative penalty of up to \$25,000 for each contravention.

Alternatively, in place of an administrative penalty, and pursuant to section 780 of the Act, an insurer that contravenes section 509 of the Act is guilty of an offence for which the insurer may be subject to a fine of up to \$200,000 (and if the insurer's conduct is of a continuing nature, each day or part of a day constitutes a separate offence) if convicted.

The AIC confirms that insurance intermediaries who contravene section 480(1) of the Act may have their certificate of authority revoked, suspended or renewal refused. In addition, intermediaries who contravene section 480(1)(a) of the Act may be subject to a penalty of up to \$5,000 per occurrence of contravention. Any intermediary who contravenes Section 480(1)(b), (c), (d) or (e) may be subject to a penalty of up to \$1,000 per occurrence of contravention.

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If you have any questions regarding this Interpretation Bulletin:

- Insurers, please contact the office of the Superintendent at 780-643-2237 or via email at tbf.insurance@gov.ab.ca.
- Intermediaries, please contact the Alberta Insurance Council at 403-233-2929 or via email at info@abcouncil.ab.ca

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