# Professional Practices Guide for Independent Insurance Distribution Advisors

Sun Life

We help. You grow.

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# Introduction

Sun Life is committed to sound market conduct practices that are consistent with legal requirements, regulatory rules and guidelines. We hold ourselves to a high standard of corporate integrity, acting with honesty and professionalism in all that we do. Our culture focuses on the needs of Clients. We keep them at the centre of all decisions and actions.

Sun Life designed this Professional Practices Guide to help advisors meet the following obligations:

- Provincial and territorial insurance regulations
- Federal government regulations
- Regulators' guidelines
- The Canadian Life and Health Insurance Association (CLHIA) guidelines

In this Guide, the term "insurance" also includes all products of Sun Life Assurance Company of Canada and Sun Life Financial Trust Inc.

You can also refer to other documentation produced by your firm or by Sun Life.

# Sun Life Code of Conduct

## Introducing the Code

Sun Life is committed to the highest level of corporate and personal ethical standards in the conduct of business. It is our goal to be known as a company of integrity that deals fairly and equitably with everyone.

The Code of Conduct sets out obligations and minimum standards of ethical conduct and behaviour required of Sun Life's independent distribution partners.

Personal and professional integrity is the cornerstone of your business. Integrity requires honesty, reliability and ethical behaviour to earn and maintain the trust and confidence of Clients. It requires that you always subordinate your personal interests to those of Clients or potential Clients when providing them with service and recommending products. Integrity also means you will not participate in or condone activities that are illegal, dishonest, fraudulent, or deceitful.

Competence is demonstrated by the knowledge and skills you apply when providing service and product recommendations to Clients. Knowledge and skills are acquired through education, training, and experience, and maintained through continuous learning that supports your professional development. Competence includes the wisdom to recognize the limitations of your knowledge and when consultation with or referral to another individual is in a Client's interest. Diligence means that you provide prompt and thorough service based on Clients' needs and objectives.

## Does the Code apply to me?

The Code of Conduct (referred to in this document as the Code) applies to all independent distribution partners engaged in the distribution of Sun Life products to Clients.

Violations of the Code or regulatory requirements will result in a review of Sun Life's business relationship with you, which may include termination. Any breach of the Code that violates the law can also result in regulatory action, and/or civil or criminal proceedings.

**You are responsible for:**

- Reading, understanding, and complying with the Code and any policies or supplementary codes of conduct that apply to you.
- Familiarizing yourself and complying with the laws and regulations that apply to your business.

- Committing to acting professionally, ethically and with integrity.
- Being attentive to issues and incidents of unethical behaviour while carrying on your business.
- Promptly reporting concerns, known and suspected violations of the Code and other unethical behaviour and supporting those who report Code violations and unethical behaviour; and
- Complying with other codes of conduct or requirements of licensing entities, professional organizations or associations related to your business.

## How do I apply the Code to situations I may encounter?

It is important that you understand the Code and how to apply it to situations you may encounter.

The Code does not describe or provide guidance on every circumstance you might encounter. Instead, it outlines your obligations and sets minimum standards of ethics and behaviour that Sun Life expects you to meet or exceed in your business dealings. You are expected to understand and comply with all applicable legal, regulatory and Sun Life requirements and to use your best judgement and common sense, keeping in mind that you are required to comply with the spirit, as well as the written words of the Code and applicable laws, rules and regulations applicable to your business.

If you encounter a situation for which the Code does not provide specific guidance, asking yourself the following questions may help you determine how to apply the Code:

- Is this in the Client's interest?
- Am I treating Clients with respect?
- Would I approve if this was done to me or one of my family members?
- Is this fair and ethical?
- Is this legal?
- Is this compliant?
- Would I approve of this situation if I were a colleague or a Client?

You should be able to answer 'Yes' to each of these questions. Use your best judgement and common sense, keeping in mind that you are required to comply with both the content and spirit of the Code and all relevant laws and regulations.

When in doubt about the relevance of the Code in a specific situation, you should consult your designated Compliance representative within your firm.

## Treating Clients fairly

The fair treatment of Clients is an integral part of our business.

Honesty, fairness, and service are hallmarks of the way Sun Life does business. You play a key role in maintaining this reputation, and you must have the Client's needs as the key motivation for any Sun Life product recommendations. Client satisfaction and trust are central to your continued success.

Some examples of treating Clients fairly include:

- You must put Clients' interests before your own.
- Your sales must be Client-focused, fair and appropriate, and Clients' unique needs and circumstances must be considered.
- You must communicate with the public responsibly and professionally.
- Information provided to everyone you do business with must be clear, accurate, honest, relevant, factual, and as complete as is practical, and you must provide full disclosure.

- Your services must be competent, timely and Client-focused.
- You must refer Client complaints or disputes to your firm immediately and engage in their handling in a fair and professional manner.
- Products must be sold on their merits, with a full description of benefits, risks, and costs. Misrepresentation of products and services is not permitted.

## Knowing and meeting Client needs

When considering an insurance or investment product, you must know and record relevant Client information to be able to evidence that the recommended insurance, investments, and trades meet the needs of the Client. You must act competently and diligently. All needs analysis and know your Client information must be thoroughly documented.

## Deterring fraud

**Sun Life does not tolerate fraud.**

Fraud is a dishonest act or omission intended to deceive or mislead for personal or corporate gain. Examples of fraudulent acts include:

- Forgery or alteration of any document or account.
- Forgery or alteration of a cheque, bank draft or any other financial instrument or document.
- Misleading Clients with the intention of depriving them of money or other assets.
- Purposefully misleading Sun Life for the purpose of generating commissions.
- Intentional misrepresentation of financial accounts or reports or failing to disclose such misrepresentations.
- Misuse of confidential information.
- Working in conjunction with a Client to submit a life insurance application that both you and the Client know that they cannot maintain or afford. This is done, to generate commissions.

You must not participate in any type of dishonest or fraudulent behaviour that can affect Clients, your firm, your colleagues, Sun Life or its reputation and brand.

## Conduct during audits or investigations

You must cooperate with investigations and inquiries by Sun Life, regulators, law enforcement agencies, auditors, and other investigators.

- You must provide accurate and factual information to them and cannot mislead or attempt to improperly influence them.
- You cannot tamper with any document or Client file information to obscure the true nature of a transaction or to impede or influence an audit, regulatory review, or investigation.

## Avoiding conflicts of interest

A conflict of interest is any external personal or business interest that could or could be seen to compromise sound judgment or diminish your personal commitment to Clients.  This includes your involvement in activities outside of your role as an advisor.

Quebec-licensed advisors and their employees, including those holding a non-resident Quebec licence must, in the practice of their profession, always remain independent and avoid placing themselves, directly or indirectly, in any situation in which they would have a real or potential conflict of interest. Therefore, where a real, potential, or even an appearance of conflict of interest exists, the relationship or the activity must be discontinued.

In all other provinces except Quebec, you must disclose any existing or reasonably foreseeable conflicts of interest in providing products and services. You must make timely disclosure to your firm of any perceived or potential conflicts of interest. Client's interests must be placed before your own.

You must avoid situations where your personal interests conflict, or might appear to conflict, with your responsibility to Clients. Your conduct must be able to bear public scrutiny.

### Outside activities

You must disclose to Sun Life and your firm any outside activity (business or otherwise) which may:

- Affect your ability to fulfill obligations as an advisor under your Sun Life agreement
- Create liability
- Create reputational risk
- Create undue influence or conflicts of interest
- Affect your errors and omissions coverage
- Have a negative, legal, or regulatory consequence

### Respecting privacy and confidentiality

We are committed to protecting confidential information - whether about Sun Life Clients or potential Clients, employees, contractors and other individuals or entities - against theft, loss, unauthorized access, disclosure, destruction, or misuse. Respecting privacy and the confidentiality of personal and confidential information is critical to maintaining an ethical reputation.

You will accumulate a great deal of information about Clients and other persons and you have an obligation to limit the collection, access, use and disclosure of this information for legitimate business purposes based on the consent of these persons.

You must conduct business in accordance with applicable privacy laws, regulations and industry guidelines related to privacy and confidentiality.

You must maintain the confidentiality of personal and confidential information. How?

- Safeguard all personal and confidential information, whether in paper or electronic format.
- Report privacy breaches and potential privacy incidents immediately (i.e. notify your firm's Compliance representative and Sun Life's Compliance team at Qualbus@sunlife.com).
- Respect the confidence of Clients.
- Comply with privacy legislation and insurer and firm guidelines.

### Rejecting corruption and bribery

Anti-corruption laws generally prohibit giving or offering anything of value to improperly influence business decisions or obtain improper business advantages. That's why:

- Direct or indirect use of bribery, kickbacks, payoffs, or other corrupt practices are prohibited.
- Advisors will report suspected and known incidents of bribery and corruption.
- Advisors must maintain accurate books and records.

If you are offered or asked for a bribe in the operation of your business, clearly decline the offer or bribe and report it immediately to your designated Compliance representative within your firm.

### Combatting money laundering and terrorist financing

We are committed to actively protecting our products and services from being used for money laundering, financing terrorists or other criminal activity, and protecting the integrity of Sun Life and the financial system.

Sun Life's policy is to not accept cash payments of any kind. You must never accept cash from a Client and convert it into an acceptable type of payment (such as a money order) on a Client's behalf.

Detecting money laundering and terrorist financing activity requires each of us to:

- Properly identify and authenticate Clients.
- Report any suspicious premiums, deposits, payments, surrenders or other activities to FINTRAC; and
- As a licensed life insurance agent, you have an obligation to report suspicious transactions directly to FINTRAC through FINTRAC's website, using the online reporting system.

### Reporting Code breaches

Sun Life is committed to leading with integrity and takes breaches of the Code seriously.

You play an active role in ensuring the Code is applied in all your business dealings. Reporting issues, concerns and breaches contributes to Sun Life's ethical culture and helps us maintain our commitment to high standards of honesty, integrity, and professionalism.

Contact your firm Compliance representative in the event of a Code breach.

## Licensing

Advisors who offer Sun Life's insurance products must be licensed in the province or territory where the sale occurs. Sun Life recommends that advisors also have an active licence where the Client resides. Advisors must follow the terms and conditions of their licence.

Examples of activities that generally need a valid insurance licence:

- Analyzing insurance needs with Clients
- Recommending insurance products
- Presenting insurance illustrations
- Completing an insurance application
- Taking investment instructions from a Client
- Completing policy replacement forms (if required)
- Policy delivery

**NOTE:** Advisors must ensure that licensed employees do licensed activities.

#### Permissible activities for a Licensed Person

A licensed person may perform the following activities:

Refer to Sun Life's compliance resources page:
https://www.sunlife.ca/slfas/Resources/Compliance/Permissible+activities+-+For+a+life+licensed+person?vgnLocale=en_CA

#### Licences must be current

Advisors and firms are responsible for ensuring that they hold a valid licence. They must fulfill their required continuing education credits before licence renewal.  Advisors and firms must renew their licences on time.

Advisors **cannot** offer insurance products or do any related activities without an active licence. This includes:

- any type of prospecting
- sales or service

An unlicensed advisor cannot be paid commissions.

### Continuing Education (CE) credits

Continuing education credits (CE credits) are obtained through participation in training activities recognized by provincial regulators. In Quebec, this is called Professional Development Units (PDU).

Advisors holding a life and/or Accident & Sickness (A&S) licence in the following provinces need CE credits to keep their licence active:

- Alberta
- British Columbia
- Saskatchewan
- Manitoba
- Ontario
- Quebec

Advisors must keep track of their credits for their Life and A&S licences. This includes:

- keeping records
- managing carry-over credits

**Sun Life may ask for evidence of your completed CE credits.**

### Errors & Omissions Insurance

Advisors must keep valid Errors and Omissions insurance coverage as a condition of their licence. Cost of coverage is based on the jurisdiction where the advisor is licensed. This amount cannot be less than the greater of the amount required in the jurisdiction(s) in which the advisor is licensed and at least $1,000,000 per incident.

Sun Life will give a 90-day notice if an increase to the minimum insurance coverage is required.

## Fair Treatment of Clients

Sun Life is committed to treating our Clients fairly through both our decisions and actions. We expect the same commitment from advisors who sell or service our products.

**Sun Life's culture focuses on the needs of Clients.** This means:

- We treat our Clients fairly and keep them at the centre of everything we do.
- We work to understand our Clients' needs and present clear solutions with those needs in mind.
- We give our Clients product information that is clear to understand.
- We take care of conflicts of interest in the right way.
- Our Clients' claims are important to us. We handle them quickly and with care.
- We give priority to our Clients' concerns. Our clear channels and processes are accessible and help resolve our Clients' concerns.

**Some examples of Treating Clients Fairly include:**

- Advisors must put Clients' interests before their own and give proper disclosures (see Conflicts of Interest);
- Advisors must:
  - Be Client-focused
  - Act with fairness
  - Consider Clients' unique needs and situations
- Advisors must communicate with the public responsibly and professionally;
- Information provided by advisors must be:
  - Clear
  - Accurate
  - Honest
  - Relevant
  - Factual
  - Complete
- Advisors must report Client complaints or disputes to their firm's compliance team. These must be handled in a fair and professional way.
- Advisors must be educated on the products they are selling.
- Products must be offered on their merits, with a disclosure of benefits, risks and costs. Incorrect or misleading statements about products and services is prohibited. Advisors must not make unfair comparisons.
- Advisors and firms must protect the privacy of Clients' information.
- Advisors' firms can help carry out the practices noted above.

**Vulnerable Clients**
A vulnerable person is someone who, due to their personal circumstances, is susceptible to harm. This can occur specifically when decisions made are contrary to their financial interests, needs or objectives, or that leave them exposed to potential mistreatment.

**Guidelines for dealing with vulnerable Clients**
Anyone can become vulnerable at some point in their life for many different reasons. Age alone is not enough to determine if a person is vulnerable.

**Some examples of vulnerable Clients include:**

- A person without a lot of financial experience. This could include a young person who has inherited a large sum of money.
- A person undergoing a significant life change. This could include a divorce, loss of a loved one, illness or job loss.
- A person living in a remote community with limited mobility.
- An elderly person living alone away from close relatives.
- A person who has a language or communication barrier.

**How to recognize a Client with cognitive decline:**

Cognitive decline can happen gradually. This can become prominent when combined with stressful life events (for example, passing of a spouse).

Signs of cognitive decline include:

- Forgetting instructions
- Repeating directions
- Decreased understanding of things they used to understand
- Confusion about time and place
- Changes in personal appearance
- Broad mood or behavioural swings

Advisors need to take the following steps with vulnerable Clients:

- Get to know the Client.
- Document Client conversations.
- Ask the Client if they have a Power of Attorney (POA) in place.
- Recommend that the Client give the name of a Trusted Contact Person (TCP) to keep on file.
- Keep Sun Life's privacy obligations to Clients.
- Have Client consent before discussing confidential information with an alternate contact.
- Look at the Client's file to determine if they have given authorization to a third party.
- Clients in Quebec may wish to draw up a protection mandate while they are of sound mind. They can appoint a mandatary (or mandataries) to take care of their affairs in the event they are declared incapable. A court judgement is needed to confirm the incapacity and for the mandate to take effect.

If there is suspicion of a Client experiencing cognitive decline, advisors should:

- Meet with the Client frequently to stay informed about changes in their:
  - financial needs
  - employment status
  - health
  - other life events
- Ask the Client to include an immediate family member or their TCP at meetings.
- Document all interactions with the Client.
- Escalate any concerns to your firm for help.

**Protecting Clients from Financial Exploitation:**

As an advisor, it is important to identify any signs of financial exploitation. If the Client has a Power of Attorney, ask for an introduction.

Advisors must keep up-to-date notes when speaking to a Client and recognize any changes in their financial matters.

A Client is the policy/account holder and can override a decision made by the Power of Attorney. It is important to identify any unexplained changes that may cause a concern for their Power of Attorney. If you suspect financial exploitation, with the Client's consent, you could ask another employee to take notes during your discussions as a witness. Contact your firm for more help.

You can find helpful resources on this topic by clicking on the following links:

https://www.ific.ca/en/pg/advisor-centre-vulnerable-investors-resource-centre/

https://lautorite.qc.ca/fileadmin/lautorite/grand_public/publications/professionnels/tous-les-pros/guide-bonnes-pratiques-personnes-vulnerables_an.pdf

**Conflicts of Interest**

When an advisor is meeting with Clients, it is important to treat them fairly with open and honest communication.

When a Client is considering buying a Sun Life product, it is important that the advisor fully disclose (or avoid where provincially mandated) any real or perceived conflicts of interest. These must be communicated in accordance with applicable provincial rules on a continuous basis.

The advisor disclosure must be provided to the Client prior to the sales transaction. The Client should acknowledge in writing any perceived conflict of interest through the advisor disclosure document.

Quebec-licensed Advisors and their employees, including those holding a non-resident Quebec licence must remain independent and avoid placing themselves in a situation of a real or perceived conflict of interest. When a real or perceived conflict of interest exists, the relationship or the activity must be discontinued.

In all other provinces except Quebec, an advisor must show any existing or foreseeable conflicts of interest in providing products or services. Sun Life recommends that advisors not only disclose but avoid or discontinue situations that are, or can be considered to be, conflicts of interest.

Advisor acting in a Representative Capacity

Advisors should not act as both an advisor and in a representative capacity for Clients. For example:

- An Attorney under a Power of Attorney,
- An Executor,
- A Trustee,
- An Officer or Director of a business, or
- A similar role on behalf of a Client.

# Sales Practices

## Unacceptable Sale Practices

The following is a non-exhaustive list of unacceptable sales practices outlined by the Canadian Life and Health Insurance Association (CLHIA).

**Fraud**

Intentional deception or misrepresentation which an individual knows to be false or does not believe to be true and is made knowing that it may be detrimental to the other party and that it could result in some unauthorized benefit to the advisor, or some other person.

**Misappropriation of Client Funds**

Taking money or other property received from the Client and using it for any purpose other than that specified by the Client.

**Forgery**

Knowingly making a false document with intent that (a) it will in any way be used or acted upon as genuine, to the prejudice of a person, or (b) some person will be induced, by the belief that it is genuine, to do or to refrain from doing something.

**Money Laundering/Terrorist Financing**

Money laundering is the processing of criminal proceeds to disguise their illegal origin. Terrorist financing is the collection or distribution of funds with the intent or knowledge that the funds will be used by a terrorist or to carry out a terrorist act.

**Privacy or Confidentiality**

Any transmittal of personal or confidential information, whether intentional or unintentional, for purposes other than those consented to by the individual described by the information.

**Conflict of Interest**

Intentionally failing to provide to Clients disclosure of business relationships with insurers and all conflicts of interest or potential conflicts of interest associated with a transaction or recommendation.

**Tied Selling**

Making the purchase of one product conditional on the purchase of another product.

**Premium Rebating**

A promise or agreement for the premium to be paid for a policy in a lesser amount than the premium set forth in the policy, or paying (or offering to pay) a rebate of the whole or part of the premium stipulated by the policy, or any consideration or thing of value intended to be in the nature of a premium rebate, except to the extent permitted by law.

**Inducements**

Making, or offering to make, any payment of money or gift of value, directly or indirectly, to convince a Client to purchase insurance except to the extent permitted by law.

**Replacements**

(i) Undisclosed and/or Systematic Replacements

Failure to provide full and fair disclosure to the Client and insurer as required by provincial and territorial laws or systematic internal or external replacements that are detrimental to the Client.

(ii) Twisting

Persuading a Client to terminate a policy solely for selling another policy without taking into account the possible disadvantages to the Client. It can also involve using the values, either through loans or through the re-direction of dividends, of one policy to buy another.

(iii) Churning

Initiating, for personal gain, transactions so that the volume or frequency of trades is excessive or inappropriate in view of the character of the account and the Client's personal objectives.

More information that pertains to policy replacements is on Sun Life's Advisor Site:

https://www.sunlife.ca/slfas/Resources/Compliance/Policy+replacements?vgnLocale=en_CA

### Misrepresentation and Disclosure

(i) Holding Out

Intentional misleading of the Client using any media (e.g., business cards, websites, social media, etc.) in regard to credentials or designations or authority, or the ability to provide advice or service.

(ii) Unfair or Deceptive Statements

Failure to provide full and accurate disclosure so the Client can make an informed decision about the purchase of a product or service.

(iii) Alteration of Illustrations

Unauthorized changes by an advisor to company-provided illustrations, or manipulation by an advisor of software beyond its defined parameters to create an unreasonable expectation about the benefits or advantages of the policy.

### Misrepresentation to the Company

Failure of the advisor to provide full, complete and accurate information to the insurer.

### Improper Paperwork

Any practice that thwarts, intentionally or unintentionally, the evidentiary intent of a signature. This includes but is not limited to the use of pre-signed forms, signature witnesses made at a time other than when the Client signs the document, and improper initialing of error corrections. Where the transaction is conducted and evidenced electronically, a similar standard applies. Delays in delivering policies can create a risk for Clients as the delay lengthens the period between the time the policy was explained and when it is available for review. This could pose implications if the sale is not made in a timely manner.

### Product-Client Suitability

Failure to consider the Client's needs, ensure Fair Treatment and make appropriate recommendations. Advisors must ensure their own education and awareness of the products they are recommending. Refer to the Needs-Based Selling Practices section of this guide.

### Undue Influence

Encouraging a Client to act on a recommendation in a situation where the advisor knows or should know that the Client is unable to understand:

- Nature of the product
- Language
- Effect of the transaction or proposed transaction

### Coercion

Compelling a Client, through the use of physical force or threat, to act on a recommendation.

### Incompetence

Any lack of technical, general knowledge or judgment required to carry out sound business practices and make recommendations based on needs-based sales practices.

### Fronting

Submission of an application for insurance and receipt of commission by a licensed advisor on behalf of an unlicensed person who solicited the sale. In addition, submission of an application by a licensed advisor on behalf of another licensed advisor who does not have a contract with the insurer to whom the application is submitted. More generally, fronting is allowing another person to solicit business and submit it to an insurer under the advisor's name.

### Trafficking in Insurance and Stranger Owned Life Insurance

Trafficking

Facilitating the sale of a Client's insurance policy to a third party that holds itself out as a purchaser of life insurance policies, except to the extent permitted by law.

Stranger Owned Life Insurance

Facilitating a Client's application for a stranger owned life insurance ("STOLI") policy. STOLI is generally considered to be an act, practice or plan to initiate a life insurance policy in order to obtain a loan, advance or other payment with the intent of transferring the right to receive a death benefit to a third party, usually an investor, who, at the time of policy origination, has no insurable interest in the insured. STOLI is generally not considered to be:

a) appropriate recourse financing of needed life insurance; or

b) life insurance purchased by the insured in good faith to meet a personal, business, or charitable need.

## Needs-Based Sales Practices

All advisors must follow the CLHIA Guidelines and documentation for the needs-based sales practices. These guidelines help advisors in ensuring Fair Treatment of Clients and providing sound advice.

### The Elements of Needs-Based Selling Practices:

An advisor must ensure that they understand Client needs, be transparent and give meaningful guidance.

Each section below contains valuable information to incorporate as part of the advisor's practice.

Client expectations:

- During the first meeting, ensure Clients understand the nature of the advisor business relationship. This should include the ongoing level of service they can expect. These details should be described in your Advisor Disclosure document.

Fact-finding and needs assessment:

- The advisor should always gather as much information about a Client's circumstances as possible and take detailed notes. These notes become part of the Client's file. The advisor should incorporate the facts gathered about the Client's circumstances and use this information to form the Reason Why Letter. This document also becomes part of the Client file.

Gather information:

The advisor must collect all relevant facts about the Client's circumstances to complete a needs analysis. The information required will vary based on the nature of the products and services the Client is looking for. It may also vary based on their circumstances and objectives. For example, a Client who calls an advisor to buy term insurance to cover their mortgage may require a more simplified needs analysis. In comparison, a Client who is looking for estate planning solutions may require a more complex needs analysis. If the advisor proposes an insurance product with an investment component, an assessment of the Client's investment objectives and risk tolerance is required.

Client information that was not provided:

The advisor should note any requests for information the Client did not provide. The advisor must tell the Client that working with limited information may affect their recommendation.

The advisor may use various methods to fill out a needs analysis. Supporting notes must contain enough details to demonstrate how the advisor assessed the information gathered during fact-finding. This is to understand the Client's needs and show why the recommendation is appropriate.

Factors that could be important to the recommendation include (but are not limited to):

- age
- health
- income level
- survivor needs
- expected income level in retirement
- liquidity needs
- budget

**Recommendations and Advice (under needs based sales)**

The product recommendations and the advisor's professional advice are meant to address a Client need and must be suitable for the Client.

The advisor is required to maintain records that support the rationale of the recommendations made, advice given, and the Client's decision. This includes:

- Needs analysis
- Reason Why letter

## Advisor disclosure

Advisors must give Clients information about the products and services they can offer. Clients must receive an appropriate disclosure document that contains the seven elements of disclosure recommended by the CLHIA:

- Licence and Jurisdiction
- Company(s) that the advisor represents
- Nature of relationship with the company(s) represented as noted above
- How the advisor is paid
- If the advisor may be eligible for additional compensation (cash or non-monetary, such as travel incentives) based on other factors (e.g. volume of business placed in specific period of time)
- Conflicts of interest (e.g. outside activity)
- Client has the right to ask for more information

## Reason Why Letter

Advisors must give each Client a written explanation of any recommendations and how they address the needs identified. This ensures there is no misunderstanding between the advisor and the Client.

The following seven bullets make up the required elements of a Reason Why letter:

- Identify the carrier, the product sold and type of insurance it represents
- A plain language summary of the Client's circumstances that led to the recommendation
- A plain language description of the needs addressed by the recommendation
- If the recommendation does not fully meet the Client's needs, a plain language explanation of the differences between the recommendation and what a Client has chosen to proceed with must be included
- If the recommendation does not meet certain needs, a follow up plan to address those needs in the future
- A plain language explanation on any fee structures chosen (where there was choice)
- Call to action for the Client to ask any questions if anything is unclear or is not correct

Send the Reason Why letter no later than the policy delivery date, or at the time the Client purchases the contract.

Advisors should keep a copy of this letter in the Client file along with notes as proof of delivery. It is recommended that the Client sign and date a copy of the Reason Why letter.

https://www.sunlife.ca/slfas/Resources/Compliance/Sample+Reasons+Why+Letters?vgnLocale=en_CA

# Complaint Handling

An advisor must send any known complaint(s) involving Sun Life products/business to their firm and Sun Life. Complaints will be assigned for review by Sun Life's Client Relations team. The advisor and their firm will be engaged as needed.

# Segregated Funds

Appropriate use of Deferred Sales Charge (DSC):

It is important that Clients are aware of all available fee options. The fee is their choice and the sales recommendation must be suitable for the Client.  Details must be included in the Reason Why letter.

**When considering a product with DSC as a choice, advisors must consider:**

- Needs-Based Selling (refer to Needs Based Sales Practices section).
- Time horizon for the investment and potential need for liquidity.
- Age – DSC may not be suitable for Clients of all ages. For example:
  - Assessments for Clients over 65 need to compare the time horizon of the investment with length of the DSC schedule.
- Income products – DSC may not be suitable where Clients are drawing income immediately or within the DSC schedule. This may result in DSC fees if the amount withdrawn exceeds the annual free units.
- The impacts of withdrawing during the DSC schedule:
  - The amount of possible DSC redemption fees Clients could pay, if they need to take a withdrawal that exceeds the annual free units.

Sales Practice Recommendations for Segregated Funds:

**Speak in dollar values, not just percentages:**

- A Client may state they are ok with a 10% drop in the market value but, when advisors ask a Client if they are comfortable with $100,000 dropping to $90,000, it speaks volumes
- Explain and highlight what DSC fees (monetary value) would be applicable to the Client's funds
- Discuss what can happen if they redeem at any point prior to the end of the DSC schedule
- All fee options should be explained to the Client (e.g. Low Load, No Load DSC) and the conversation documented in the Client's file
- Accurately capture all discussions whether over the phone, in person, or through videoconference calls in your notes
- Be transparent and provide a clear explanation of the product they are purchasing. Include all features and fees (refer to CLHIA – The Approach)

Sun Life, at any given time, may contact the advisor's firm to request details pertaining to a Segregated Fund sale. Information assessed may include:

a) Advisor's notes,

b) Reason Why letter,

c) Documented needs analysis, and

d) Any other information gathered to learn the appropriateness of the recommendation made.

For more information, refer to «Segregated Funds» on the Sun Life advisor site for details on product features, illustrations and road maps.

## Privacy

Sun Life is committed to protecting confidential information - whether about Sun Life, Clients, employees or contractors - against:

- theft,
- loss,
- unauthorized access, disclosure or destruction, or
- misuse.

Respecting the privacy of Clients and the confidentiality of their personal information is critical to maintaining our ethical reputation.

**Advisor Obligations:**

As an advisor, you will accumulate a great deal of information about Clients. You have an obligation to limit the collection, access, use and disclosure of this information for legitimate business purposes based on the consent of the Client. Your business practice and conduct must align with the applicable:

- Privacy laws
- Regulations
- Industry guidelines related to privacy
- Privacy rules of your signed agreement
- Confidentiality expectations

Sun Life Privacy Breach protocol:

**Please refer to the following Sun Life Privacy Incident Notification document** for details on how to handle any real or perceived privacy breach incidents involving Sun Life Clients or products:

https://www.sunlife.ca/slf/PSLF+Canada/Privacy?vgnLocale=en_CA

**Safeguarding Client Information**

It is important that you protect personal and confidential information using commercially reasonable, technical and physical security safeguards appropriate to the sensitivity of the information. This includes (but is not limited to):

- Electronic copies of personal and confidential information stored on:
  - computers
  - external storage devices
  - cloud storage solutions
  - third-party hosted platforms

- Electronic copies of personal and confidential information sent over public network via the Internet or email
- Electronic and physical copies of personal and confidential information no longer required must be destroyed such that it cannot be recovered

Do not send personal or confidential information to an unsecure email platform (e.g. Hotmail, Yahoo). Ensure personal or confidential information contained in emails is encrypted at all times prior to sending to a recipient.

**Advisor Obligations:**

Notify your firm and Sun Life immediately of any known or potential:

- Loss,
- Theft,
- Unauthorized access to or disclosure, copying, use or modification of personal information, or;
- any other breach or potential breach of privacy laws.

**You must provide information related to the events and assist in the mitigation of harm, as reasonably requested.**

## Canada's Anti-Spam Legislation (CASL)

Canada's anti-spam legislation, known as CASL, regulates **commercial electronic messages**. The purpose of the legislation is to, "promote the efficiency and adaptability of the Canadian economy by regulating certain activities that discourage reliance on electronic means of carrying out commercial activities". Its purpose is to discourage spam, which is unsolicited and unwanted commercial electronic messages and encourage good electronic commerce practices.

**What is a commercial electronic message (CEM)?**

A commercial electronic message (CEM) is defined broadly as an electronic communication that has as **one** of its purposes to encourage participation, in a commercial activity. CEMs can include emails, texts, social media personal messages, and any other type of message sent by telecommunication. A CEM can be an individual email sent to one person or a mass email to many recipients. You must have permission to send a CEM to a Client or prospect.

Commercial activity includes:

- An offer to purchase or sell a product or service,
- Providing a business or investment opportunity,
- Promoting anyone engaged in the activities above.

**What is consent?**

There are two types of consent: **express** and **implied**. Consent cannot be transferred from one advisor to another in most cases.

**Express consent**

Express consent means that consent is given explicitly, verbally or in writing. Express consent doesn't expire and will continue indefinitely until a person unsubscribes and tells the sender to stop sending CEMs. Under CASL, to collect verbal consent, you still need to give the person the content information and tell them they can withdraw their consent ("unsubscribe") at any time. Express consent, especially written consent, also makes it easier to prove that you obtained consent, if you are ever questioned about sending CEMs.

#### Implied consent

You may rely on implied consent for sending CEMs if it is provided under certain conditions set out by CASL. This may include:

- having an existing business relationship based on a previous commercial transaction with the recipient(s); or
- if the person publishes their electronic address (e.g. a Client or prospect advertises in a newspaper or website).

In this latter case, there are no instructions to not send a CEM. However, **the CEM's subject matter must be relevant to the person's business, function, duties in a business or official capacity.**

There is a time limit attached to the validity of an implied consent.

### Summary of requirements:

- **Consent - a commercial electronic message (CEM)** cannot be sent unless the sender first has the recipient's consent.
- **Content** - all CEMs must have prescribed content and an unsubscribe mechanism, unless the CEM is excluded under the law.
- **Unsubscribe** - must be clear, prominent and easily performed and if recipient says stop sending that must be honoured within 10 business days of their request.

#### Penalties and lawsuits

Fines and Penalties for non-compliance with CASL are high. A maximum of $1 million per occurrence for an individual and a maximum of $10 million per occurrence for a business. Advisors who breach the legislation may be subject to both fines and penalties. Fines and penalties are often excluded under any Errors & Omissions insurance coverage.

#### CASL FAQs:

https://crtc.gc.ca/eng/com500/faq500.htm

## National Do Not Call List (DNCL) legislation

Telemarketing is the use of a phone, cell, or fax to make unsolicited calls for the purpose of selling or promoting a product or service by you or your staff. The Canadian Radio-Television and Telecommunications Commission (CRTC) has implemented a National Do Not Call List (DNCL) that allows consumers to register their phone numbers on the list to prevent unsolicited marketing calls. The primary objective of this DNCL legislation is to prevent unwanted and inconvenient phones calls for the sale of products or services, as opposed to preventing calls within a service relationship.

Review the following CRTC guidance, to ensure you are in full compliance with the rules and legislation:

https://crtc.gc.ca/eng/home-accueil.htm

#### Consequences of non-compliance

Penalties from CRTC for not complying with telemarketing rules include charges up to $1,500 per infraction for an individual and up to $15,000 for a corporation. In addition to these charges, a registered complaint can damage your reputation. Generally, Errors and Omissions (E&O) insurance does not cover any fines you may be charged for violating the telemarketing rules.

# AML/ATF

**Anti-Money Laundering/Anti-Terrorist Financing ("AML/ATF")**

The Proceeds of Crime (Money Laundering) and Terrorist Financing Act has three key objectives:

- To detect and deter money laundering and terrorist financing;
- To provide law enforcement officials with the information they need to counter the threats of organized crime and terrorism; and
- To help fulfill Canada's international commitments to fight transnational crime and terrorism.

There are specific things Sun Life and an advisor need to do to comply with the Act and for risk management purposes:

- Verification of Client identity
- Verification of beneficiary identity
- Beneficial ownership when verifying the identity of an entity
- Third-party determination
- Politically exposed persons (PEP) and heads of international organizations (HIO) determination
- Collection of the source of wealth of the Client if identified as a PEP/HIO
- Collection of the source of payments or funding for the policy/contract
- Indication of the purpose and intended use of the account
- Keeping the required records
- Ongoing monitoring
- Suspicious transaction reporting
- Creation of a compliance program

If we do not fulfill these obligations, we could face serious penalties.

For more supporting information, refer to FINTRAC's Guidelines:
https://www.fintrac-canafe.gc.ca/guidance-directives/transaction-operation/1-eng

# Business Continuity Plan

Your practice must have a clearly documented plan that contains direction on how your business will continue to operate, in the event of an unplanned disruption to your services. This plan should contain the following elements:

- Data backup and recovery
- Alternate communications between Clients and your firm, corporation, employees as applicable
- Alternate physical location to operate your business practice, including any employees
- Regulatory reporting requirements
- How you will ensure that Clients can access their funds in the event that the advisor/corporation/firm is unable to continue business

Sun Life recommends that an advisor state their existing relationship with their firm within their Business Continuity Plan. The advisor should define the role the firm will play in ensuring business as usual.

# Marketing – Use of Sun Life Logo

Only advisors and firms contracted with Sun Life can ask for a Sun Life logo to be used on their website. You must obtain Sun Life's permission through the following link:

https://www.sunlife.ca/slfas/Marketing/Advertising?vgnLocale=en_CA

Independent Insurance Distribution advisors can't use Sun Life logos on their business cards.

# Insurance Regulators and other industry resources

Each province has its own insurance regulator(s). Please refer to the applicable provincial insurance regulator's website for guidance and information.

## Federal regulator

### Office of the Superintendent of Financial Institutions

The Office of the Superintendent of Financial Institutions (OSFI) is an independent federal government agency that regulates and supervises more than 400 federally regulated financial institutions, including Sun Life.

## Association of insurance regulators

### The Canadian Council of Insurance Regulators (CCIR)

CCIR is an 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. Its members work together to develop solutions to common regulatory issues.

### The Canadian Insurance Services Regulatory Organizations (CISRO)

The Canadian Insurance Services Regulatory Organizations (CISRO), is a forum of Canadian regulatory authorities who are dedicated to consistent qualifications and conduct of business standards for insurance intermediaries.

## Industry association of Canada's life and health insurance companies

### Canadian Life and Health Insurance Association (CLHIA)

The CLHIA is a not-for-profit, membership-based organization that represents 99% of Canada's life and health insurance companies. CLHIA's member companies, through a wide range of products and services, help Canadians to protect themselves and their families against the financial risks surrounding premature death, illness and retirement. These products include individual and group life insurance, supplementary health insurance and individual and group annuities (including RRSPs, RRIFs, TFSAs and Defined Contribution pension plans).

We help. You grow.