



Guideline G1 PRODUCT DISCLOSURE

This Guideline has been approved by the Board of Directors of the Canadian Life and Health Insurance Association Inc. (CLHIA). Member Companies are expected to adopt this CLHIA Guideline having regard to the company's structure, products and business processes, including distribution channels. Member Companies are urged to incorporate this Guideline into the company's ongoing compliance program.

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Jan. 1, 2007 for existing Products**

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Guideline G1

PRODUCT DISCLOSURE

1. INTRODUCTION

The life and health insurance industry and its regulators are committed to good disclosure about insurance products. The Canadian Council of Insurance Regulators (CCIR) sets out this objective in their *"Principles for Consumer Protection"* (2000) and again in *"An Approach to Risk-Based Market Conduct Regulation"* (2008).

The CLHIA's Code of Ethics includes a commitment to clear, fair disclosure. This Guideline reinforces that by setting out practices about the disclosure materials that insurers develop about their individual insurance products. Its focus is on general product information that would be useful to consumers before making a purchasing decision. It does not include consumer-specific information that may not be known until point of issue (e.g., premiums that could be influenced by underwriting information). Neither is it specific about when or how this information is made available, recognizing that insurers have different business models.

2. PURPOSE

The purpose of this Guideline is to set out practices for printed disclosure (i.e. hard copy or electronic) by life and health insurance companies about their products, and thereby promote the ability of consumers to make informed decisions about the products for which they apply.

3. DEFINITION

In this Guideline:

"Product disclosure" means descriptive information regarding the product and the insurer offering it. This includes, but is not restricted to, booklets, brochures, application forms and illustrations. Product disclosure may be provided in more than one document or medium.

4. SCOPE

This Guideline applies to all individual products and any related riders offered by a member company, except Individual Variable Insurance Contracts and travel insurance. It applies to all forms of distribution. For direct marketing and telemarketing, it should be read in conjunction with Guideline G9, Direct Marketing.

5. GENERAL PRINCIPLES

With respect to all product disclosure:

- (i) Sufficient information should be made available for the consumer to make an informed decision as to whether to apply for a product;
- (ii) All information should be presented and described accurately and in clear language;
- (iii) Product disclosure can be made available in any medium either to an advisor or directly to the consumer;
- (iv) Where product disclosure is available electronically or orally, a hard copy should be available upon request; and
- (iii) Contact information should be provided so that the consumer can access more information about the product or insurer.

6. CONTENT

For the purposes of this Guideline, and where applicable to the product, product disclosure should include the following:

- (i) **Insurer Information**
 - (a) the name of the issuing insurer
 - (b) contact information
- (ii) **Product Information**
 - (a) **Type of Product:** the main type of benefit provided by the product (e.g., life insurance, disability insurance, critical illness insurance, savings)
 - (b) **Product Features and Benefits:**
 - I. the principal product features and benefits, or
 - II. where there is no right of rescission, a description of all product features and benefits (and fact that the consumer may request a sample contract for

review)

(c) **Guaranteed and Non-guaranteed Features and Benefits:**

- I. clear identification of which features and benefits are guaranteed (e.g., guaranteed premiums, guaranteed death benefits, conversion option if applicable) and which are not
- II. disclosure of any variables that can affect policy values and premium-paying periods, and that past performance does not predict future results

(d) **Premium & Fees Information:**

- I. a description of the nature of payments that will be applicable (e.g., premiums, monthly charges)
- II. the frequency of those payments and whether there are any cost differences associated with frequency mode
- III. the structure of those payments including, if applicable, a clear statement that the insurer reserves the right to increase payments (e.g., what is guaranteed, if payments will/could increase in future, etc.)
- IV. if a premium is shown for a product that will be underwritten, a clear indication that the actual premium could differ (e.g., preferred vs standard rates, ratings, etc.)
- V. if a preferred rate is shown, it must be clearly identified as such
- VI. any contractual right to get lower premiums during the contract by providing evidence of good health or insurability
- VII. any additional fees, other than the premium, that are important to the purchasing decision (e.g., surrender fees, transaction charges, market value adjustments, interest options fees, etc.)

(e) **Limitations, Reductions, Exclusions:**

- I. where applicable, a clear statement that the product contains limitations, reductions or exclusions, including pre-existing conditions
- II. a description of any circumstances, other than client requests, which may result in a reduction in the benefits payable under the policy
- III. if the amount of the benefit may be reduced as a result of integration with other sources of income (e.g., disability insurance and CPP/QPP)

- (f) **Non-cancellability and Non-renewability:** for Accident & Sickness or Disability products, if applicable, a statement that the product is not guaranteed renewable and non-cancellable (e.g., certain accident & sickness or disability insurance products), along with the conditions under which the insurer may raise the premium, reduce benefits payable, cancel the policy, or refuse to renew the policy
- (g) **Disability definitions:** for disability insurance products, a reproduction of all definitions of total and partial disability in the policy

(iii) **Consumer Rights and Responsibilities**

- (a) **Rescission Rights:**
 - I. a statement advising the consumer of any rights of rescission, the length of the rescission period, when it begins, and any other restriction on refund of premium in connection with that right of rescission
 - II. disclosure if a right of rescission does not apply with respect to that product
- (b) **Consequences For Consumer Non-Disclosure or Misstatements:** a statement advising the consumer that the product being applied for may be null and void if there is a misrepresentation by the consumer in the application
- (c) **Change in circumstance between application and delivery:** if applicable, a statement that the consumer has a responsibility to advise the insurer about a change in insurability between the time of application and the time of delivery

(iv) **Other Information**

- (a) **Effective Date of Coverage:** Information about when coverage takes effect
- (b) **Date of Document:** Date (i.e., month and year) on which each product disclosure document has been prepared