



The Insurance Conference

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Update on Binder Regulations

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ILLA: Provisions with respect to Binder Regulations

- A written agreement is required, setting-out the powers of the third party to bind the insurer
- Binder holder must disclose details of the underwriter to policyholders, keep and maintain proper books of account and other records and to give the insurer access thereto
- The person may not delegate, assign or sub-contract
- Limitations on the form of remuneration for services to avoid conflicts and maintain transparency
- Clear accountability and responsibilities, such that the insurer remains liable for compliance with the Act



Rationale for Binder Regulations

- Prudential concerns – SAM requirements:
 - Pillar 1: Accurate data
 - Pillar 2: Governance, internal controls, risk management
- “Conduct of business” concerns:
 - Conflicts of interest
 - Clarity of principal-agent relationship
 - Overlap with FAIS provisions
 - Addressing gaps that have driven regulatory arbitrage
 - Proactive supervisory approach & TCF



Binder Regulations: Key Elements

- Binder may be issued to:
 - Intermediary – subject to FAIS provisions
 - Underwriting Manager – acts as an agent of insurer
 - By default, excludes parties that act like intermediaries but seek to move books of business without the explicit consent of individual policyholders
- Binder holder remuneration:
 - “Reasonable fee”
 - Underwriting manager may receive profit share
- Agreements must deal explicitly with access to information necessary to manage risk