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Third Party Administrators raise concerns about G19 compensation disclosure guideline

by Kate McCaffery (/author/kate-mccaffery/) May 14, 2018 01:30 p.m.



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Third Party Administrators (TPAs) are raising concerns about guideline G19 from the **Canadian Life and Health Insurance Association** (CLHIA). Under this guideline, insurance companies would disclose a group benefits intermediary's compensation to contract holders annually.

The CLHIA says it believes the guideline G19(<https://insurance-journal.ca/article/new-compensation-disclosure-guideline-to-be-delayed/>), *Compensation Disclosure in Group Benefits and Group Retirement Services* "will strengthen the industry's practices around compensation disclosure and contribute to a customer-focused distribution system," and that "transparency in group intermediary compensation disclosure contributes to ensure fair and appropriate outcomes for plan sponsors."

A complex and prescriptive approach

Responses to the guideline have asked the CLHIA to more fully involve advisors(<https://insurance-journal.ca/article/compensation-disclosure-guideline-faces-headwinds/>) in the compensation disclosure process. The **Third Party Administrators' Association of Canada** (TPAAC) echoes the sentiment, adding that the guideline takes an unnecessarily complex and prescriptive approach to disclosure. They argue that intermediaries, not insurance companies, should be the ones to disclose their compensation to customers.

In a letter responding to the CLHIA's request for commentary on the guideline, TPAAC also says the timeline for implementation is rushed and untenable for both TPAs and insurers. Presently the CLHIA says anticipated compensation for new group retirement services sales and new group benefits sales are to be disclosed to contract holders, beginning January 1, 2019. Ongoing compensation for all renewal business will be tracked beginning January 1, 2019, with disclosure to contract holders to begin on January 1, 2020.

TPAAC recommends guideline be set aside

"We strongly feel that the timeline for implementation, as well as fundamental components of Guideline G19 itself, are flawed," TPAAC president **Mike McClenahan** writes in the association's response to the CLHIA's call for comments. "We feel G19, as it is currently written, will not achieve its stated goals. (We) recommend that it be set aside to allow for more fulsome consultation with all industry stakeholders."

TPAAC board member, **Neil Paton** says if the CLHIA proceeds as planned without making changes, the new guideline will likely set off a series of disastrous results. "Information would start to be developed and thrown out into the marketplace that would completely disrupt intermediary relationships. It would blow up years of trust that has been established between intermediaries and clients."

Could cause confusion

In its submission to the CLHIA, TPAAC elaborates, pointing out that group plans TPAs administer frequently provide benefits from multiple insurers. "It is not uncommon to have three or more different providers," they write. "Just imagine the confusion that plan sponsors will experience by receiving multiple disclosure statements from insurers that they hitherto had no direct deals with." TPAAC also argues that TPA administration fees, compensation for outsourced functions normally performed by insurers, should also be excluded from compensation calculations and not included in the scope of the disclosure.

Listening to concerns

The CLHIA says it has been listening to concerns(<https://insurance-journal.ca/article/clhia-now-says-its-listening-to-advisors-on-g19/>) raised by group benefits intermediaries. The association is currently thinking about how to adapt its approach "to ensure G19 leads to fair outcomes for all stakeholders...Once we have completed this work, we will re-engage with the advisor community, likely in June (2018)," said the association in a statement(https://www.clhia.ca/web/CLHIA_LP4W_LND_Webstation.nsf/page/E394641F0D23803885258233005C5DE1!OpenDocument) last month.

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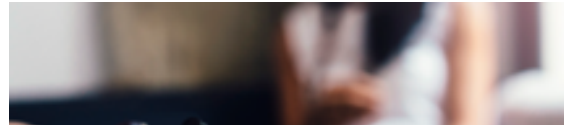


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