



## **Fair Treatment of Customers Policy**

### **1. Governance And Business Culture**

#### **Purpose**

The Merit Group is committed to treating our customers with integrity and this underlies the way we conduct business—we listen to our Customers, understand their needs, and deliver on our promises. We are also fair and responsible when doing business with insurers, vendors, and other stakeholders.

The objective of this policy is to reinforce our commitment to the “fair treatment of customers” (“FTC”) and establishing a Customer-centric culture that focusses on Customer confidence rather than on short-term financial goals.

#### **Scope**

The general principles outlined in this Policy apply to all employees of The Merit Group, including full time, part time, temporary and contract employees.

This Policy also applies to every aspect of the customer’s experience with The Merit Group. This means that the guidelines and principles outlined in this Policy should be adhered to in the course of your duties.

#### **Definitions**

“Customer” means a prospective customer, a current customer, or a former customer.

The “Customer Experience” encompasses every interaction that a Customer has with The Merit Group, directly or through its third-party service providers, through its commercial practices. This includes, but is not limited to:

1. Marketing and sales.
2. Claims handling
3. Complaints handling
4. Privacy practices

The conduct of an organization towards its customers, stakeholders, and other market participants can be referred to generally as “commercial practices”. Having sound commercial practices refers to an organization’s fair and responsible business conduct towards these parties during the Customer Experience.

FTC is a key part of conducting business by using sound commercial practices and ethical behaviour. Ensuring FTC encompasses achieving outcomes such as:

- Customers are confident when dealing with The Merit Group as it makes the FTC a core component of its governance and corporate culture;
- Customers are treated with consistency, fairness, and transparency;
- Customers are properly informed to make educated decisions regarding products, before, during and after the purchase of products;
- The products and related services available to Customers are consistent with The Merit Group's statements; and
- When Customers want to switch products, change institutions, or file a complaint or claim, procedures are in place to facilitate such operations.

### **Responsibility for Sound Commercial Practices and the FTC**

At any given time, a senior officer of The Merit Group will have the primary responsibility for FTC. For the purpose of this policy, this senior officer will be referred to as The Merit Group's Officer of Market Conduct ("OMC"). Part of the OMC's mandate is to develop strategic vision, approaches and plans for market conduct, and to ensure that these factors are considered by employees when aiming to achieve The Merit Group's broader business objectives. It is also the OMC's role to ensure that The Merit Group's commitment to FTC is deployed at all levels of the company. The OMC can create committees or processes or can implement any initiative as necessary to achieve this objective.

### **General Principles for All Employees**

As employees, we must be easy to deal with and go beyond expectations to deliver a Customer Experience that is second to none. We can achieve this by following these principles when performing our duties:

- Adhere to legal requirements, professional codes of conduct and best practices;
- Comply with internal corporate policies;
- Be transparent, fair, prompt, and consistent in our interactions with Customers;
- Ensuring functions carried out by our third-party service providers relating to an insurance product's life-cycle (e.g. solicitation, sale, servicing, claims) are performed following FTC principles; and
- Keep Customers informed in order to allow them to make educated decisions.

## **Customer Experience Guidelines**

These guidelines should be followed by employees when they are applicable to their team and role at The Merit Group.

### **a. Marketing and Sales**

This stage of the Customer Experience includes the marketing and advertising; providing Customers with quotes; and the purchase of products. In each of these phases of the Customer Experience, we will adhere to applicable legal requirements, professional codes of conduct and industry best practices. We will always keep the interests of the Customer at the center of our business processes and decisions. Some examples of how we can demonstrate this include:

- Clearly identify the product being quoted and its main features; and
- Inform Customers of any changes to a product and inform them of their rights and obligations in connection with such changes.

### **b. Claims**

We are committed to handling claims on behalf of our Customers with fairness, transparency, and consistency. Some examples of how we can demonstrate this include:

- Ensure that Customers are aware and informed of how to submit a claim;
- Clearly inform Customers of their rights and obligations throughout the claims process, where applicable; and
- Follow any relevant internal best practices documents, handbooks, workflows, decision making guides or escalation processes.

### **c. Complaints Handling**

The Merit Group strives to provide Customers with exceptional service. The Complain Policy is in place to handle complaints fairly and efficiently, while remaining transparent with Customers. The Policy outlines for Customers the steps of complaint escalation and provides them with the appropriate contact information.

When a Customer has a complaint about The Merit Group, we will follow the steps in the complaint handling policy and keep Customers informed throughout the process.

### **d. Privacy Practices**

The Merit Group's Privacy Policy outlines our commitment to safeguarding Customers' personal information and governs The Merit Group's use of such information. When conducting business, we will adhere to privacy laws and our internal corporate policies related to privacy practices.

## **Escalation Process**

If at any point in the Customer Experience, a decision that does not prioritize sound commercial practices and the FTC is made, this must be reported to Craig Pitchell.

## **2. Conflicts of Interest Policy**

### **Purpose**

The Merit Group and its employees must uphold the highest standards of commercial ethics when dealing with customers. The integrity of The Merit Group depends on ethical behaviour throughout the organization, and on fair, well-informed decision-making.

As a result, we must avoid conflicts of interest and/or the acceptance of inappropriate gifts and incentives. The objective of this policy is to enable The Merit Group and its employees to avoid, manage and disclose conflicts of interest as appropriate.

### **What is a Conflict of Interest?**

A “Conflict of Interest” is a conflict between our obligations towards customers and our own personal/professional interests, which may influence the objectivity of our duties.

A conflict of interest may arise where a broker or one of its employees:

- is likely to make a financial gain, or avoid a financial loss, at the expense of a customer
- has an interest in the outcome of a service provided to a customer which is distinct from the customer’s own interest
- has a financial or other incentive to favour the interest of another party (e.g. an insurer) over the interests of a customer
- receives or will receive from a person other than the customer, an inducement in relation to a service provided to a customer, in the form of money, gifts, entertainment, goods or services, other than the standard commission or fee for that service (e.g. an insurer contest incentivizing a broker/employee to adopt a particular course of action).

Conflicts of interest may also arise:

- from performance targets or performance management criteria
- where relationships with an insurer or intermediary other than the customer influences the advice given to a customer
- where an employee owes a duty to two or more customers in respect of the same or related matters or has an interest in the outcome of a service or a transaction carried out on behalf of a customer or has significant influence over the customer’s decision

These situations may encourage behaviors that result in unsuitable sales, have a detrimental impact on the quality of the service provided or otherwise breach The Merit Group's obligations towards a customer. They may also affect the independence of advice we provide to customers.

## **Managing a Conflict of Interest**

### **a. General Rule – Conflicts of Interest**

The Merit Group expects its employees to maintain the highest standards in carrying out their business activities, adhering to regulatory requirements and applicable standards of professional conduct, acting professionally, honestly and ethically in all their dealings with customers, colleagues and third parties. As a result:

- Conflicts of Interest should always be avoided, wherever possible.
- Where it is not possible to avoid a conflict of interest or potential conflict of interest, employees must report the conflict so that it may be managed.
- Any conflict of interest that could be seen to influence the advice/service provided to customers must be disclosed to customers.
- Where there is an irreconcilable and/or unmanageable conflict between the broker/employee's duty to a customer and their duties as a broker/employee, they should not act in the transaction.

### **b. Reporting Responsibilities**

- Employees are responsible for promptly reporting actual or potential conflicts of interest to their direct superior and/or manager, who will report the conflict to a member of senior management (if the employee with a conflict of interest is a member of senior management, it should be escalated higher to their superior).
  - Each member of senior management shall keep a log of all conflicts of interest. This log is mandatory.
- Measures to eliminate or manage a conflict of interest will be decided by the applicable member of senior management; measures taken will depend on what is appropriate based on the facts.
- Employees may also report potential conflicts of interest involving colleagues the Principal Broker.
- Employees must report to their superior all gifts and entertainment received or offered.
- Superiors may use the gifts and entertainment log to track their employees' gifts if they wish. It is not mandatory to use the log; however, this may be a useful tool to help track trends within a team.

### **c. Disclosure of Conflicts of Interest to Customers**

- The Merit Group and its employees must always place customers' needs above their own. When The Merit Group or its employees have a conflict of interest that cannot

be avoided, but can be managed, all reasonable steps must be taken to communicate the conflict to customers.

- A conflict of interest must be disclosed to customers if it has the potential to reasonably raise the perception of “influence” over an employee’s “independent” decision-making process
- Employees must ensure that, when relying on disclosure for managing conflicts of interest, it does not put an unreasonable onus on the customer, especially if the customer does not fully understand the conflict or its implications.
- In all cases, a conflict of interest includes individual conflicts of interest, as well as those of the brokerage. In all cases as well, this section is intended to deal with situations where non-disclosure would be detrimental to consumer.

### **i. Examples of What to Disclose**

The following are some examples that may give rise to influence sufficient enough to require disclosure to customers.

- Any direct or indirect ownership interest of any kind in a brokerage by an insurer, or in an insurer by a brokerage
- Common ownership of a brokerage and an insurer by a financial conglomerate or other holding company or group of companies
- Brokerage and the insurer have common ownership or are both members of the same group of companies, as the case may be
- A loan, credit facility or other financial relationship with an insurer
- A financial or non-financial network affiliation
- Exclusive contract or one market exceptions where customers do not have choice of insurer
- Volume or mix of business requirements
- Receipt of contingent commission related to profitability (loss ratio) of a book of business with an insurer, or volume or growth targets, etc.
- Receipt of sales Incentives (e.g. cash prizes or trips offered by an insurer)
- Referral fees, such as fees for arranging the financing of premiums through a premium financing company or ownership in such a company

### **ii. Timing and Format of Disclosure**

The Merit Group and its employees recognize that customers are entitled to fairness and transparency in the disclosure of information.

A customer must be informed of a conflict or potential conflict of interest at the time a broker provides a quote. Information regarding commission must be disclosed at the point of sale.

The Merit Group and its employees will ensure that disclosure is provided in a manner that is clear. For example, disclosure of relevant information will not intentionally be

buried in large documents or hidden weblinks. The Merit Group and its employees will also ensure that the format of disclosures complies with applicable regulations, guidelines and professional codes of conduct.

### **iii. Breach of this policy**

- Failure to comply with this policy could result in disciplinary action, from a verbal warning up to and including termination of employment and criminal or civil legal proceedings.
- Employees may report any violation of this policy by colleagues to Craig Pitchell.

## **3. Disclosure to Customers**

### **Purpose**

The Merit Group believes that customers should receive clear and accurate information, in an easy to understand manner about their insurance needs and the available insurance options.

### **General Obligations**

We strive to understand the client's insurance needs and to provide the best combination of insurance products and value to fulfill those needs. It is our duty to provide the client with options and to explain the advantages and disadvantages, but ultimately the client will make the decision on what coverage they want. When a client declines coverage we should have them sign off, acknowledging that were offered the coverage.

If any consideration other than client's insurance needs influence the recommendations of The Merit Group, then these factors should be disclosed to the client.

If you have any question about what should be disclosed to the client, you may discuss it with the Personal Lines Manager, Commercial Lines Manager or Craig Pitchell.

## **4. Product Promotion and Sales Policy**

### **Purpose**

The Merit Group believes in ensuring that customers are appropriately informed about a product, before and at the point of sale, to enable them to make an informed decision about the proposed product.

The objective of this policy is to ensure that the information provided to customers is sufficient to enable them to understand the characteristics of the product they are buying and help them understand whether and how it may meet their needs.

To this end, the level of information required will tend to vary according to the knowledge and experience of a typical Customer for the product and the product's overall complexity.

### **Scope**

The general principles outlined in this Policy apply to all employees of The Merit Group, including full time, part time, temporary and contract employees.

This Policy also applies to every interaction a customer has with The Merit Group. This means that the guidelines and principles outlined in this Policy should be adhered to in the course of your duties.

### **General Obligations**

Part of the customer's experience includes promoting and selling products; providing customers with quotes; and the purchase/sale of products. In each of these phases of the customer's experience, we must adhere to applicable legal requirements, professional codes of conduct and industry best practices. Employees will always keep the interests of the customer at the center of our business processes and decisions. Some examples of how we can demonstrate this include:

- Ensuring that products are suitable for customers;
- Accurately identifying the product being quoted and its main features; and
- Disclosing any material information about the products (e.g. disadvantages, commission incentives, etc.)

### **Product Suitability**

The products you recommend must be appropriate for the needs of the customer, as determined by a needs-based assessment and/or as directly articulated by the customer.

Where a customer is seeking advice on product recommendations, product suitability requires the collection of sufficient information from the customer to enable you to properly assess their needs and make appropriate recommendations.

Suitability depends on the needs, facts and expectations of the customer. The following best practices will enhance your compliance with this principle:



- Gather appropriate information on your customer's situation
- Confirm your customer's goals
- Discuss any product comparisons that were carried out and why a particular product is recommended
- Provide clear advice to your customer
- Ensure the customer's file reflects the above (e.g. document the advice provided and your reasons for recommending a product)

## **Accuracy**

Insurers are responsible for providing promotional materials that are accurate, clear and not misleading. Any promotional material designed by The Merit Group and its employees must follow the same principles.

To avoid any potential issues, employees should ensure that all information and materials provided to customers:

- is easily understandable
- is consistent with the coverage offered
- accurately identifies the Insurer
- states prominently the basis for any claimed benefits and any significant limitations
- does not hide, diminish or obscure important statements or warnings.

Additionally, if an employee of The Merit Group becomes aware that the promotional material is not accurate and clear or is misleading, it should be brought to the attention of a manager or direct supervisor.

In cases where an employee is aware that customers are relying on any materially inaccurate or misleading information, they must also notify such customers and correct the information as soon as reasonably practicable.

## **Disclosure of Material Information**

The information about a product that is material and should be provided to a customer depends on the circumstances of the transaction.

An employee of The Merit Group should disclose any information relevant to the customer's insurance needs that a reasonable and prudent agent would disclose in the same circumstances. This could include, but is not limited to:

- any disadvantages of the product (e.g. a higher deductible)
- any limitations of the product with respect to coverage (e.g. exclusions for certain types of losses)

## **Disclosure of Market Information**

Likewise, if you can offer only one company's quote to a prospective customer, there is a duty upon you to make this limitation known before accepting and placing any business on his/her behalf.

Similarly, an obligation exists to be open and honest with your customer where you are able to place insurance with only a single insurer or with a limited number of insurers that may not be representative of the entire market. Since these facts may influence the judgment of a prospective customer, disclosure is required.

## **Breaches**

If you believe that any employee of The Merit Group has breached this policy, it should be reported to your manager or direct supervisor.

## **5. Advice**

### **Purpose**

The Merit Group and staff are to ensure that the products offered to customers are based on the customer's individual needs.

### **General Obligations**

Recommendations should be documents and should be based on questions asked during the fact finding process. Coverage options should be explained to customer's accurately and a clearly in easy to understand language.

Coverage decisions are ultimately the customer's choice. It is our responsibility to help them to accurately understand their options. If the client declines coverages we recommend, please have the client sign off acknowledging that the coverage was offered and explained.

The client should sign off on any coverages they decline.

## **6. Disclosure to Policyholders**

### **Purpose**

The Merit Group will take reasonable steps to disclose information to the customers regarding any contractual changes to their policy and other relevant information such as legislative changes, relative to insurance, that might impact the client.

## **General Obligations**

When presenting quotes to clients, the available quotes and options should be clearly communicated to the client, so that they not only know what coverage we recommend, but also what coverages are optional and what coverages are available.

If there is a change to the policy upon when being issued as new business, we will notify the client in writing of the change, if it is a larger change to the policy, we will attempt to contact the client by phone and provide them with other options available to them.

We must be transparent with our compensation and any other financial arrangements with our insurance carriers. If there becomes any loan or ownership agreements with an insurance carrier, this information will be disclosed to a client in our Compensation Disclosure Form, which is provided to the client when new policies are written.

In addition to individual communication, we encourage customers to follow us on social media and will endeavour to use our website and social media platforms to communicate significant industry information for consumers.

If you have any question about what should be disclosed to the client, always error on the side of providing more information as opposed to less. If you have any questions about this, you may discuss it with the Personal Lines Manager, Commercial Lines Manager or the Principal Broker.

## **7. Complaint Handling Policy**

The Merit Group is committed to providing customers with exceptional service. It is important to us that our customers let us know how we are doing. We are introducing this policy in order to harmonize our processes for handling customer complaints and emphasize the importance of early complaint resolution.

### **What is a Complaint?**

A complaint is the expression of at least one of the following elements:

- a grievance or dissatisfaction that asserts that The Merit Group, or an employee of The Merit Group, in connection with providing (or failing to provide) its products or services, has engaged in:
  - unfair business practices,
  - conduct in violation of applicable law or regulation
  - unethical conduct;
- the identification of real or potential harm that a customer has sustained or may sustain; or
- a request for remedial action.

Informal steps to correct a specific problem are not considered a complaint, provided the problem is resolved as part of The Merit Group's normal activities and the customer has not made a complaint.

## **Employee Handling of Complaints**

Employees of The Merit Group who receive customers complaints are expected to adhere to the following:

- All customer complaints will be immediately referred to a frontline manager (typically the manager of the person receiving the complaint).
- The manager assigned will contact the customer to indicate receipt of the complaint within 1 business day.
- The manager will make a reasonable effort to seek out a resolution satisfactory to the customer within three business days with appropriate guidance, as necessary, from The Merit Group's Principal Broker, Craig Pitchell. Guidance should be requested immediately if the concern is not within the frontline manager's authority or expertise to resolve.
- The supervisor or The Merit Group's Principal Broker, Craig Pitchell, will assist if the matter is not resolved within three business days or as soon the frontline manager determines that available solutions will not resolve the customer's concerns.
- If a customer requests that their complaint be immediately escalated to a regulator or government ombudsperson, the request must be immediately forwarded to a frontline manager, who will immediately coordinate with Craig Pitchell to respond to the customer's request.

## **Documentation**

All customer complaints must be clearly documented on a customer's file, including all correspondence, escalations, and resolution(s).

Where a customer complaint is escalated by a manager to The Merit Group's Principal Broker, Craig Pitchell, the escalated complaint file will be documented and maintained by the Principal Broker.

## **Customer Complaint Handling Protocol**

In order to ensure that customers of The Merit Group are aware of our processes for handling customer complaints to early complaint resolution, a customer-facing complaint protocol should be accessible to customers on The Merit Group's website. Please see Schedule A for the model protocol.

## **8. Personal Information Policy**

### **Purpose**

The Personal Information & Privacy Breach Policy (the “Policy”) sets out the guidelines and procedures that The Merit Group and its employees will follow in connection with the collection, use and disclosure of personal information.

### **What is Personal Information?**

“Personal information” means information about an identifiable individual but does not include personal information about an employee.

### **Roles and Responsibilities**

The protection of personal information is a collaborative effort. The Merit Group relies on its employees to maintain the principles and procedures listed in this Policy.

The following outlines the roles and responsibilities of The Merit Group employees and management:

#### **Employees**

- Ensure that all collection of personal information conforms to the Policy and that when necessary, proper consents for collecting, using and/or disclosing personal information are received and recorded;
- Express written or verbal consent should be obtained for sensitive personal information such as financial or medical information.
- Ensure that no unnecessary personal information is collected
- Personal information should only be used and disclosed for the purposes for which it was collected
- Employees must only access personal information on a need-to-know basis in the performance of their duties;
- If disclosure to a third party is necessary, The Merit Group and its employees must contractually ensure that the third party will abide by the applicable privacy legislation and this Policy.
- Report all personal information compromises to the appropriate manager and the Privacy Office.

#### **Management**

- Responsible for ensuring the safeguarding of personal information and that the appropriate retention/destruction guidelines are followed

- When creating relationships that may include the transfer of personal information, ensure that a sufficient review is completed, and that proper contractual provisions and safeguards are in place
- Establish and maintain a reporting process, which includes the reporting and managing of privacy breaches up to any required regulator notification regarding such breaches.

### **Third Party Transfers**

All relationships requiring the transfer of personal information to third parties must have a contract with personal information protection provisions. These provisions shall ensure that the personal information is protected in accordance with this Policy and privacy legislation.

### **Request Regarding Personal Information**

#### **a. Individual Access Requests to Personal Information**

- When an individual requests access to their personal information that The Merit Group has collected, used or disclosed, pursuant to privacy legislation, a manager must be informed immediately.
- All requests made under privacy legislation must be received in writing.
- To assist The Merit Group in responding to access requests, the department responsible for the collection, use and disclosure of the personal information will gather and provide to the Privacy Officer, Craig Pitchell, all of the documents requested by the customer. The Privacy Officer, will then review the documentation provided and determine what documents will be provided to the customer.
- In order to ensure that any conflicting laws and/or restrictions are taken into account, standard letters created by the Privacy Office will be used to respond to access requests. The standard letters will include a list all of the documents which will not be available for access due to a statutory exemption.
- Replies to written requests for access will be delivered within 30 days of receipt of the request. The Privacy Officer will provide notice of any refusals to access or when extra time to respond is necessary.
- If The Merit Group is unable to satisfy a customer to his or her satisfaction, the customer may bring the issue to the relevant privacy regulator.

#### **b. Correction of Personal Information**

- When personal information is found to be inaccurate, The Merit Group will make every effort to correct this information within 15 days.

#### **c. Withdrawal of Consent**

- Customers may withdraw their consent at any time. However, if they do so, The Merit Group may no longer be able to provide them with the products or services that they desire. If a customer wishes to withdraw consent, a front line representative or

the Privacy Officer must explain to the customer what the implications are of withdrawing.

### **Privacy Breach Reporting**

- A privacy breach is the result of the loss of, unauthorized access to, or unauthorized disclosure of personal information.
- Such activity is “unauthorized” if it occurs in contravention of applicable privacy legislation, such as the Personal Information Protection and Electronic Documents Act (“PIPEDA”).
- Some of the most common privacy breaches happen when personal information is stolen, lost or mistakenly disclosed. A privacy breach may occur within a company or off-site and may be the result of inadvertent errors or malicious actions by employees, third parties, partners in information-sharing agreements or intruders. A privacy breach may also be a consequence of faulty business procedure or operational control gap.
- When a privacy breach occurs, organizations must take proactive measures to deal with the situation promptly. Because of the speed with which leaked information can fall into the wrong hands, sealing and dealing with a breach must happen quickly.
- If any employee becomes aware of a privacy breach, they must immediately inform their manager, or the Privacy Officer, Craig Pitchell.

### **Contact Information**

If you have any questions about this policy you may contact;

Craig Pitchell  
craig@meritgroup.ca  
519-657-5500