

April 22, 2008

TO: ALL LICENSED INSURERS IN ALBERTA

ATTENTION: CHIEF EXECUTIVE OFFICER

Re: Risk Based Market Conduct Questionnaire

Under the *Insurance Act* (Act) examiners from the Office of the Superintendent of Insurance perform transactional reviews of insurance companies' compliance with market conduct provisions in the Act and Regulations.

In an effort to prioritize regulatory activities, improve our market conduct compliance supervision and readily identify potential risks in the insurance marketplace we are moving towards a risk-based approach for assessing the market conduct activities of insurance companies. Our risk based approach includes the use of self assessment questionnaires which each licensed insurance company will be required to complete. The survey document includes an attestation to be signed by a senior company officer with respect to the accuracy of the information provided by each insurance company. Each survey will be based upon a specific aspect of the market conduct of insurance companies.

Our inaugural risk based market conduct questionnaire is in regard to information on insurance companies' risk management control functions respecting the regulatory requirements under sections 452, 460, 485, 486, and 499 of the Act. A copy of these sections is attached for your information.

Under sections 452 and 460 of the Act insurance companies are required to only do business with an insurance agent or adjuster that holds a valid and subsisting Certificate of Authority. As well, under section 499 of the Act the company cannot pay commission to an intermediary that does not hold a valid and subsisting Certificate of Authority.

Under section 485 of the Act insurance companies that recommend an intermediary or adjuster be issued a certificate of authority must establish and use reasonable screening procedures that are used to determine if the intermediary or adjuster is suitable to act as an intermediary or adjuster.

Under section 486 of the Act insurance companies that market insurance through a restricted insurance agent must establish and use reasonable procedures to

ensure that personnel marketing insurance for the holder are knowledgeable about the insurance being marketed.

We are asking that each insurance company licensed in Alberta complete the attached risk based questionnaire in accordance with section 785 of the Act and that it is signed by the CEO or Chief Agent of the company. Please return the completed questionnaire **by July 31, 2008**.

The questionnaire may be completed as a Microsoft Word document and mailed to us. To access the survey document on the web please view it at:

http://www.finance.alberta.ca/publications/insurance/info_insurers.html

If you have any questions regarding the questionnaire please contact Peter Blandy, Compliance Manager at (780) 415-8556.

Yours sincerely,

ORIGINAL SIGNED

Arthur Hagan, FCIP, CRM
Deputy Superintendent of Insurance

AH/pc

Attachments