

Reason why letter FAQs

1. What is a Reason why letter?

Required by the industry, this letter is designed to provide a brief summary to help clients understand the product recommendation, the transaction being completed and the reasons why a product was purchased.

2. How did this new requirement come about?

In 2016, the CLHIA created a task force to develop practices that promote needs-based selling and sale suitability. One recommendation was that advisors send a *Reason why letter* to clients, after the sale.

All provincial insurance regulators support the addition of a new element to "[The Approach](#)." The CLHIA will coordinate the implementation of this practice by member insurance companies and their advisors.

3. Is this letter applicable to all provinces?

Yes

4. When do I have to implement the Reason why letter into my practice?

Take some time to understand this requirement. It is expected that you will implement this letter into your business practices by July 2018.

5. Will this requirement part of compliance assessments?

Yes

6. Which products does this requirement apply to?

It applies to all Individual Insurance products:

- Life
- Critical Illness (CI)/Disability Insurance (DI)
- Segregated funds
- (It does not apply to mutual funds)

7. How can the letter be distributed to a client?

The letter can be mailed or emailed to a client, or delivered to a client along with their policy.

8. When does the letter/email need to be provided to the client?

- Life insurance and CI/DI – no later than policy delivery
- Segregated funds – the letter should be sent immediately after the sale

9. Do I need to obtain (and keep) acknowledgement that my client received the *Reason why letter/email*?

No, simply keep a copy of the letter/email in your client file. Suggest to your client that they keep a copy in their files.

10. Who should I contact if I have questions?

Contact your [Senior Compliance Officer](#) (login required).