

Platinum Pacific Financial Services Ltd.

Compliance Manual

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INTRODUCTION

Platinum Pacific Financial Services Ltd. relies on its brokers to distribute its supplier company products. The interaction between our brokers and their clients projects Platinum Pacific's image and values. We are committed to upholding the highest ethical standards in all our activities.

This manual is as a reference guide covering Platinum Pacific Financial Services Ltd. and its associated Company Carriers procedures for client interactions. It outlines the minimum standards we expect our brokers to adhere to and the values we want to project to our clients. The manual is designed to bring a deeper ethical awareness to all our brokers by stating clearly what is expected of them in situations that arise in the conduct of their business.

We recognize the importance of credibility, integrity, consistency and trustworthiness to success in the financial services industry. Meeting and exceeding customer expectations is the key to growth in today's highly competitive market place.

If you have questions concerning this Compliance Manual, do not hesitate to contact Platinum Pacific Financial Services Ltd.

Platinum Pacific Financial Mission Statement

Our mission is to always be a dynamic, profitable, service oriented, financial services company, committed to the brokerage community.

Our primary focus will be to provide our Independent Brokers with quality financial products that meet their criteria and the needs of their valued clients.

We recognize that our primary customer is the Independent Broker and we will provide them with an unparalleled, superior level of service, education, and support on an ongoing basis.

We are committed to building strong, lasting relationships by providing our Associates with the tools & knowledge they require to retain their unique competitive edge.

We're Built on Loyalty and Trust.

COMPLIANCE/MARKET CONDUCT MISSION STATEMENT

Platinum Pacific Financial Services Ltd. has developed a mission statement of its own relating to Compliance and Market Conduct.

Our mission is to:

provide our brokers and their customers with a sales process that:

- Ø is of the highest integrity;
- Ø respects federal and provincial laws and regulations and Company Standards; and is supported by the best Compliance/Market Conduct training program for our brokers and employees.

CODE OF ETHICS

Over the past few years, the reputation of the insurance industry has suffered and, unfortunately, negative perceptions are deep-rooted in some consumers' minds.

We at Platinum Pacific Financial Services Ltd. are confident that the brokers *representing us* are already operating at a high standard of ethics. The first step in ensuring that high standards are maintained is ensuring that those standards are clearly defined and widely understood.

Regulations increasingly require insurers to establish formal programs to ensure that their brokers comply with all legal and ethical requirements. Platinum Pacific Financial Services Ltd. has taken the first step by formally defining and promoting the standards we expect our brokers to adhere to. Platinum Pacific's Code of Ethics consists of eight core activities, which are focused on customer needs and on ensuring a sales process of the highest integrity.

Any breach of the Code of Ethics may expose the broker to charges of unethical conduct and possible contract termination.

Core Activities

The following eight principles are the ethical standards to which all brokers *representing us* must adhere to:

1. Compliance

Compliance with all federal and provincial laws and regulations, and with all internal standards governing the sales process.

This includes, but is not limited to:

- holding an agent's license
- maintaining Errors and Omissions coverage
- not engaging in misrepresentation
- completing Replacement Forms

maintaining and improving knowledge through continuing education
respecting the client's right to privacy
respecting requirements prohibiting rebating

2. Status and Introduction

Providing clients with full and accurate disclosure of your status, your qualifications, your relationship with Platinum Pacific Financial Services Ltd, the Company whose products you are recommending and the services you can provide.

You must disclose your licensing status, your relationship with Platinum Pacific Financial Services Ltd., your method of remuneration and the services you can provide. The purpose of any meeting must be stated at the earliest opportunity.

3. Competence

Providing services, advice or information only where you are licensed and competent to do so.

You must hold the appropriate provincial license before providing advice on a specific product.

You are expected to uphold the highest standards of professional competence by continuously seeking to maintain and improve your level of knowledge and your professional skills.

You must give advice only where you are competent to do so. If a situation calls for expertise you do not possess, ensure that the limitations of your advice are understood. You should seek assistance from an expert or refer the client to a qualified advisor.

4. Needs Selling and Continuous Service

Identifying the client's needs before offering advice and paying continuous attention to those needs.

Conduct fact-finding to determine the client's financial situation, needs, objectives and risk tolerance.

Respect the wishes of a client who does not want to disclose certain types of information. You should, however, retain documentation indicating that the client was advised of the possible consequences of declining to provide information.

Continue to meet the client's ongoing needs when a sale has been made.

Conduct periodic reviews to ensure that the client's financial needs continue to be met.

5. Disclosure

Educating clients about the products and services you offer by providing full and accurate disclosure of all facts required to make an informed decision.

Provide information in an easily understood manner. New marketing material and modifications to existing marketing materials must be submitted to the applicable Company Market Compliance Officers for review and approval before use.

Illustrations of Company products may only be produced using the Company's authorized illustration software. To ensure that the client has a good understanding of the illustration attached to his/her new life insurance policy, all applications submitted must therefore be accompanied by an illustration reflecting the policy term. Illustrations must be signed both by the client and by the broker where required.

At no time may inaccurate or unfair criticism be made regarding other companies or their products.

6. Priority of Client Interests

Always give priority to the client's interests when providing advice.

You are expected, at all times, to place the client's interests above your own direct or indirect personal interests in the sales process.

Your recommendations regarding products to be bought must always be based on the client's needs, regardless of any remuneration you might receive.

7. Confidentiality

Holding the personal and business information of clients in the strictest confidence.

Collect personal information only when it is pertinent to the sales process. Whenever possible, obtain personal information directly from the client. The client must be notified and his/her authorization obtained before personal information is collected from any other source.

Information in client files is considered confidential and you must employ proper safeguards to protect its confidentiality.

8. Documentation

Providing the client with a written copy of any advice given and retaining sufficient information in the client files to demonstrate the appropriateness of all sales.

In a separate file for each individual client, sufficient information will be retained to show that the client has been recommended a suitable product and has been given the best advice. Full details of the fact-find should be retained. If the client declines to provide you with certain information for the fact-find, this should be recorded along with the documentation demonstrating that the person was

made aware of the consequences of declining to provide information. You should also retain a copy of your recommendations to the client along with your written explanations.

SALES CONDUCT

The following activities constitute illegal and/or unethical conduct, and must be avoided at all times:

- Ø selling in a province where the intermediary is not licensed
- Ø making false statements
- Ø disclosing personal or confidential information about a client without the client's consent
- Ø violating the laws or regulations of the jurisdiction in which the intermediary is licensed to sell insurance
- Ø using intimidation or excessive pressure to make a sale
- Ø sexual or other forms of harassment
- Ø rebating
- Ø misrepresentation
- Ø defamation of other financial institutions, their products or their representatives

Appendix A provides detailed information on illegal and unethical conduct.

Professionalism

All Brokers must do business in good faith and in accordance with the provisions of the laws and regulations of any jurisdiction in which they hold life insurance agent licenses or present Group Life & Health or Group Pension products.

Avoid practices, which might mislead or deceive a client or potential client. Ensure that illustrations of prices, values and benefits are clear, and contain full disclosure of amounts which are not guaranteed, whenever the information is given verbally or in letter form. Disclose accurately and completely all information required by the client to make an informed decision. Use fact-finding tools and Life Company illustration software to ensure complete and accurate disclosure.

Respect for Clients

Platinum Pacific Financial Services Ltd. and the companies it is contracted with rely on its brokers to distribute the company products.

The interaction between brokers and clients projects Platinum Pacific and its carrier company's image and values. Actions, words, jokes, or comments regarding gender, race, ethnicity, appearance, age, religion, or any other characteristic will not be tolerated.

Sexual harassment is defined as any conduct, comment, gesture or contact of a sexual nature that is likely to cause offense or humiliation to a client. This type of conduct must be avoided at all times.

Excessive solicitation or attempts to intimidate any person into buying a product are regarded as harassment. Brokers must respect the client's wishes at all times. They must not intimidate a client into buying life insurance or group products.

Brokers must conduct themselves in a professional manner at all times. Anyone engaging in sexual or other forms of harassment will be subject to disciplinary action, up to and including contract termination.

Right to Privacy

Whenever possible, personal information must be obtained directly from the client. If required information must be obtained from a third party, such as a client's attending physician or accountant, the client's prior authorization must be obtained. The client's authorization should be clear and simple, to avoid any future complaints that the client did not understand what he/she was signing.

Respect the privacy of individuals by using personal information only for authorized purposes and by not revealing personal information to unauthorized individuals. Confidential information obtained during the underwriting process (such as Attending Physician's Statement, inspection report, etc.), should not be viewed by the broker, nor should copies be made of such information.

An APS, for example, may contain sensitive information of which the client may not be aware. This information may have not been communicated to the client by his/her physician. Arrangements should therefore be made with the client's physician, Inspection Company, etc., for reports to be sent directly to the Company Head Office Underwriting Department or to the appropriate Regional Center for the Company

For Group Life & Health and Group Pension clients, privacy and confidentiality laws and guidelines apply. Respect the privacy of the company and its employees by using personal and confidential information for authorized purposes only.

Misrepresentation

Brokers must not make false or misleading statements or representations in the course of selling or servicing the Insurance Company's products. All statements and representations, whether oral or written, must be both accurate and complete.

You must accurately and completely disclose all information required to allow the policy owner, prospective purchaser or company to make an informed decision.

Respect for Competitors

You must not defame other life insurance companies, or their products or brokers. It is an offense to make, publish, or circulate any false oral, written, or printed statement about another insurance company, its products or its brokers.

Rebating (Currently applies to individual policies only)

REBATING IS AN OFFENSE IN ALL PROVINCES and, therefore, brokers must not directly or indirectly rebate or attempt to rebate all or any part of a premium for insurance. This includes payment of any kind or distribution of promotional materials, which are **contingent** on the purchase of insurance. Distributing promotional materials such as calendars, golf balls, etc., is permitted, provided that these items are not contingent on a purchase of insurance by the prospective purchaser.

It is recommended that you include a disclaimer on all promotional materials which advises prospective purchasers that “NO PURCHASE IS NECESSARY.”

Furthermore, a broker must not induce a prospective client to apply for insurance by offering to pay any portion of a premium on their behalf.

Sharing Remuneration

A broker must not share any remuneration earned from the sale of life insurance with any person who does not hold a life insurance agent’s license.

Errors and Omissions Insurance

A broker who places business with Platinum Pacific Financial Services Ltd. must maintain, at all times and at his/her own expense, Errors and Omissions (E&O) coverage. Platinum Pacific Financial Services Ltd. will ask brokers for proof of current and valid E&O coverage on an annual basis.

New brokers who wish to place business with Platinum Pacific Financial Services Ltd. must provide proof of current E&O coverage with their contract application.

Contractual Obligations and Responsibilities

As a broker of Platinum Pacific Financial Services Ltd., you must respect the terms of your contract with the company and the contracts of its supplier companies

25-Month Persistency

For the purposes of persistency, unlike Not Taken Up (NTU), the policy will be treated as a lapse and this will have an impact on 25-month persistency rates and any particular contest rankings within the supplier companies that are offered.

Commission Recovery

Platinum Pacific Financial Services Ltd. will recover any unearned commissions and bonuses paid to the broker for the policy. As company payouts and charge backs differ, Platinum Pacific Financial Services Ltd. will be bound by the rules and regulations of each individual company.

LICENSING

The broker is responsible for complying fully with the insurance laws of every jurisdiction in which he/she is licensed as a life or accident and sickness insurance agent. As a condition of employment, the broker must sign a contract with each Life Company they wish to represent as well as with platinum Pacific Financial Services Ltd. The broker must also adhere to and be bound by the Company's Specific Code of Ethics where they exist.

Licensing

The broker must maintain, at all times and at his/her own expense, all licenses necessary to permit him/her to lawfully solicit applications for the Life Insurance Company's products. Platinum Pacific financial Services Ltd. or any of the Companies it is contracted with, will not accept premiums from or pay commissions or bonuses to a broker without proof of a valid license.

Agent licenses are issued by the Superintendent of Insurance or other authorized body in each province. Broker licenses may be sponsored by the Life Insurance Companies Platinum Pacific Financial Services Ltd. is contracted with.

It is the broker's responsibility to ensure that his/her application for an insurance license is completed correctly and in full. Incomplete or incorrectly completed applications will be returned to the broker by the authorized body, which will cause delays in issuing the license and in the payment of commission to the broker.

Can a Broker sell in more than one Province?

To sell insurance and insurance related products, a broker **must** be licensed in the province in which the application is signed. Please see Non-Resident Licenses, if you are interested in applying for a license in a province other than your province of residence.

License Renewals

All broker licenses are subject to renewal and/or validation.

Renewal/validation periods differ for each province.

Failure to renew/validate a license and to provide Platinum Pacific Financial Services Ltd. with a copy of the current license will result in contract termination.

For more information concerning license renewals and/or validation requirements for the province in which you hold a valid license, please contact the appropriate provincial regulatory body, The Financial Advisors Association of Canada (Advocis), or Platinum Pacific Financial Services Ltd. Contracting Department.

License Termination

A Life Companies sponsorship of a broker's license (if required) will terminate immediately upon the cancellation of the brokers contract.

In British Columbia, upon termination of contract, a broker whose license is sponsored by a Life Insurance Company (if required), must surrender the actual license received from the Insurance Council of British Columbia.

Non-Resident Licenses

You may apply for a license in a province in which you do not reside if you hold a valid license in your province of residence. The only exception is Prince Edward Island, which will only issue licenses to individuals who reside in the province.

Most provinces require a non-resident endorsement letter. This is issued by the Licensing Superintendent of your province of residence.

Continuing Education

You must respect the continuing education requirements of any province in which you hold a valid license. For more information about continuing education requirements, contact the regulatory body of the province(s) in which you hold a valid license(s) or The Financial Advisors Association of Canada (Advocis).

COMPLAINTS & ERRORS

Any complaint from a client indicates that we have, in some way, failed to meet that individual's expectations. A complaint can provide us with insights into service deficiencies we may not be aware of and help us take corrective action to improve our client service.

Whether verbal or written, all complaints must be dealt with in an efficient and timely manner. Occasionally a broker may make a mistake. It is vital to client satisfaction that we deal with errors as soon as possible.

The Regional Director's or Regional Compliance Officer's of our contracted companies will investigate each complaint and its impact on the client. Corrective action must be taken immediately. The client must be contacted immediately and the nature of the complaint documented

(See Appendix B on the procedure for handling of complaints.)

The following guidelines must be followed with respect to all complaints from outside sources.

Acknowledgment

In order to ensure that we continue to provide a high standard of customer care and service, it is essential that all complaints and errors be promptly and properly handled. See Complaint and Errors handling below

Clients need to feel that we take their concerns seriously. It is important to assure clients that complaints or errors will be addressed immediately. Therefore, complaints and errors must be acknowledged within 48 hours of receipt, and, unless extensive investigation is required, resolved within ten working days. The acknowledgment must be specific to the complaint or error and must indicate the timeframe within which the client can expect a reply.

Complaint and Error Handling

Each Regional Center of our contracted companies is responsible for handling only those complaints and errors pertaining specifically to their region. All complaints or errors must be brought to the Regional Director, Regional Compliance Officer attention immediately.

It is their responsibility to resolve and reply to all complaints. One copy of the letter resolving the complaint must be sent to the Manager, Customer Relations of the company, and one copy must be placed in the client's file on file with Platinum Pacific Financial Services Ltd.. In the event of an error, the Companies Regional Director, Regional Compliance Officer will investigate the error and its impact on the client. Corrective action must be taken immediately. The client must be advised of the action taken.

All other types of complaints are handled as follows:

Complaints or Inquiries from Regulatory Authorities

Complaints or inquiries from regulatory authorities should be sent to the Manager, Customer Relations of the contracted company, who will investigate, obtain the co-operation of all parties involved, and send a reply to the complainant with copies to all concerned.

Complaints or Inquiries from the Media

All complaints or inquiries from the media should be sent immediately to the Manager, Corporate Communications for the contracted company who, in conjunction with the Manager, Customer Relations, will investigate the complaint or research the inquiry and provide an appropriate response.

Under no circumstances should a broker make any response except to refer the media to the appropriate company in question.

Complaints not Related to your Office

Any complaint which is not addressed to a specific individual and which does not relate to your office, and/or where there is any doubt as to who should provide a reply, should be forwarded immediately to the Manager, Customer Relations of the appropriate company.

Other

The following complaints and/or inquiries will be handled by the contracted company Manager, Customer Relations:

- Ø matters referred to the President or Chief Operating Officer
- Ø inquiries from the Superintendent of Financial Institutions
- Ø inquiries or complaints from consumer groups
- Ø inquiries or complaints from external lawyers
- Ø complaints alleging misrepresentation

The companies Manager, Customer Relations will investigate, obtain the co-operation of all parties involved, and send a reply to the complainant with copies to all concerned.

Complaint & Error Log

Every Broker, Producer Group, or AGA, etc., is required to keep a register of all verbal or written complaints and of all errors. A complaint is any verbal or written expression of dissatisfaction received. Although we wish to resolve all expressions of dissatisfaction, only complaints that have a financial impact, have legal implications, involve misrepresentation, or are due to error, require the completion of a Complaint & Error Log form. This register must provide all information concerning each complaint or error and will serve as a reference manual to help us improve our service.

It will also allow us to compile statistics on areas of customer concern and to make the necessary changes to prevent them from recurring.

The following information must be included in the Complaint & Error Log, and a copy must be sent to the Market Conduct Department of the applicable company or to the Region Director, or Vice-President, Sales of the company.

- Ø complaint or error number (sequential number)
- Ø client name
- Ø policy number
- Ø servicing agent
- Ø agent code
- Ø date complaint was received or error was made

- Ø complainant's name
- Ø nature of complaint or error:
- Ø name of person complaint is against
- Ø product or service complained about
- Ø date decision was made
- Ø date decision was communicated to client
- Ø decision made with respect to complaint or error, and
- Ø corrective action taken to prevent a similar problem from arising again

REPLACEMENT

A new purchase of life insurance is considered a replacement when as a result of the new purchase, it falls within the applicable companies rules of replacement.

Brokers Duty

With respect to external and internal replacement, a broker shall **NOT** induce a policy owner to replace an existing contract of life insurance. Where it appears that, due to a change in circumstances, an existing contract of life insurance should be amended or changed to another contract of life insurance, the broker shall attempt to have the existing contract amended or changed by the client's existing insurer in order that any values, credits or privileges in the existing contract may be transferred to the amended or changed contract of life insurance, unless such amendment or change by the existing insurer would be detrimental to the best interests of the policy owner.

After the completion of a needs analysis, if the replacement of a contract of life insurance is intended, the broker must present and review with the applicant a fully completed Disclosure Statement. The completed Disclosure Statement must be sent to the Insurer being replaced Head Office within three working business days. (Please refer to *Completion of Replacement Form*)

Replacement of an existing policy will only be recommended when it is clearly to the client's advantage.

Rules and Regulations Governing Internal Replacements

The following outlines the principles, which guide us in this area:

- 1) It is recognized that we offer a product which is intended to serve the client throughout his/her

lifetime.

2) It follows that circumstances will sometimes dictate that coverage requires alteration in order to remain relevant to the changing situation of the client.

3) We believe the client has the right:

a) to have his/her situation reviewed regularly to determine whether changes to existing coverage are necessary, and

b) to have any such changes promptly effected, subject only to normal underwriting considerations.

4) An important principle, which should guide both the broker and the Company in this exercise is the preservation of the policyholder's equity.

5) For practical purposes, it is considered that equity exists in respect of all permanent policies and in general does not exist in respect of term policies and riders where it may be considered that premiums already paid represent the cost of coverage already provided.

DEFINITION:

Internal replacements or changes are defined as any change, modification or alteration to an existing Life Insurance Companies product regardless of whether the existing insurance is lapsed, written off, cancelled or surrendered, six months prior to or after the issue of a new policy. This applies to all types of business.

External Replacement

There are two types of external replacement - incoming and outgoing. Below is a brief explanation:

Incoming

An existing contract of life insurance with another insurer you are not contracted with and is replaced with new coverage with an insurer you are contracted with

Outgoing

An existing contract of life insurance issued by an insurer you are contracted with and is replaced by new coverage with another insurer that you are not contracted with.

Conservation

Upon receipt of a Disclosure Statement, the Compliance and Market Conduct Department of our contracted companies advises the broker or Platinum Pacific of the client's intention to replace his/her current coverage with coverage from another company. A copy of the Disclosure Statement accompanies the memo.

The broker is instructed to contact the client and attempt to conserve the policy. The servicing office (Platinum Pacific) is also asked to report back to the Compliance and Market Conduct Department at the respective company Regional Office, with the result of their contact with the client. Most contracted companies will send the client a letter outlining the reasons why they should reconsider their decision to replace their existing coverage.

The letter sent by the Insurer's Head Office/ Regional Office should not deter the servicing broker from personally contacting the client to conserve the policy. The letter's purpose is to support the servicing broker's conservation effort.

Effect on Remuneration

For *incoming* cases, full First Year Commission and bonuses (where applicable) are paid. The replacement is considered to be new business.

For *outgoing* cases, if conservation is not successful, the policy will be terminated. The unearned portion of the advanced First Year Commission could be charged back if the policy is in its first year.

Basic Disclosure Statement

The Basic Disclosure Statement is designed to provide the client with information that he/she might find helpful in deciding whether to change his/her current life insurance. The Statement compares the client's current coverage with the proposed coverage. The Disclosure Statement must be fully and accurately completed to allow the client to make an informed decision, and must always be completed prior to the completion of the application when a replacement policy is recommended.

Completion of Replacement Form

Information about the client's current coverage can be obtained from the client's current life insurance contract, or by contacting the client's insurer. To obtain information from the client's current insurer, an Agent of Record letter signed by the policy owner, must be forwarded to the current insurer. This letter authorizes the broker to obtain the necessary information to complete the Disclosure Statement.

If more than one contract of life insurance is to be replaced, a separate Disclosure Statement must be completed for each existing contract.

You must secure the owner's signature, along with the signature of the life insured if other than the owner, attesting to the receipt of the Disclosure Statement. You are personally responsible for forwarding, **within three (3) working days** of the date of application, a copy of the fully completed Disclosure Statement as presented to and signed by the client, to every insurer whose contract of life insurance is to be replaced. A copy must also be forwarded to the new Insurer Company.

The completion of the Disclosure Statement is the broker's responsibility. The form must be completed by the broker and signed by both the broker and the client. If the client refuses to sign the

Disclosure Statement, this should be stated in a letter and signed by the client. A copy of the letter accompanied by the Disclosure Statement must be sent to the client's current insurer.

In Alberta, the holder of a Level 1 Life Insurance Certificate shall have the Disclosure Statement countersigned by the holder of a Level 2 Life Insurance Certificate who, by countersigning, accepts responsibility for the completion of the Disclosure Statement himself, as the broker.

Filing of Complaints on Replacement Activity

One of the functions of The Financial Advisors Association of Canada (Advocis) is to investigate complaints and ensure that appropriate disciplinary action is taken where necessary for its members..

The complaint form used for this purpose is published by The Financial Advisors Association of Canada (Advocis). Copies of this complaint form can be obtained from Advocis, or from the chairman of the local Advocis Ethics & Practice Committee.

A photocopy of the form will be accepted by Advocis. Advocis will accept only those complaints filed by a broker or a customer. They will not accept complaints filed by insurance companies.

Complaints regarding a broker can also be filed with the replacing insurer's Compliance, Market Conduct or Quality Business department, or the matter can be brought to the attention of the appropriate provincial insurance council.

In all cases, the applicable Life Companies Compliance and Market Conduct Department should be advised whenever a complaint is lodged with Advocis, or any body or provincial regulatory authority.

The Compliance and Market Conduct Department will often recommend the best course of action for your complaint. They can also assist you in completing the required forms and provide information that may help expedite your complaint regarding a broker's breach of the insurance regulations.

The Compliance and Market Conduct Department advised will also keep a record of each complaint.

From these records, they will be able to compile statistics, which will help them monitor broker misconduct and repeat offenders.

Brokers are encouraged to contact the Compliance and Market Conduct Department of the applicable company at their Head Office or Regional Office, whenever they encounter a breach of insurance regulations by brokers. The Compliance and Market Conduct staff will assist you in any way they can. A copy of all actions taken should also be sent to Platinum Pacific Financial Services Ltd.

ADVERTISING

Any advertising refers to personal and non-personal communications to the public - printed, spoken, recorded or filmed - however they are disseminated, distributed or displayed, which are designed to further the business interests of the advertiser. This includes office signs and marketing material distributed to clients, as well as radio, television, newspaper, magazines, and billboard advertisements, etc.

The objective with respect to advertisement is simple. The advertisement must be clear, concise, complete and easy to understand. If it includes the Life Insurance Companies name or logo, it must be first approved by the Life Companies Communication Department prior to distribution.

Approval of Material

All advertising, regardless of who writes, creates, designs or presents it, is the responsibility of the company whose policies or services it advertises, and should be issued only with that company's prior approval.

Therefore, to ensure consistency and compliance with the specific requirements of our regulatory bodies, advertising, office signs and marketing materials must be centralized.

Any advertisement, which promotes a Life Company and/or one or more of its individual products, whether directly or indirectly, **MUST** be approved by the Companies Communication Department at their Head Office or Regional Office.

If you are considering advertising to further your interests in the marketplace, please send your material to Platinum Pacific or the Communications Department of the company for prior approval. The Communication Department will advise you of required amendments, if any.

Business Cards & Letterhead – All business cards and letterhead that a broker intends to use must comply with the requirements of the Provincial Insurance Council where the business cards or letterhead is used. A copy of a broker's business card & letterhead will be kept on file in the brokers personnel file with Platinum Pacific Financial Services Ltd. If any changes are made to this material, a copy needs to be sent to Platinum Pacific Financial Services Ltd. for the brokers file.

CONTRACT DELIVERY

Life policies must be delivered within the maximum timeframe allowed by the applicable insurer.

Policy Delivery by the Broker

The broker must obtain and keep on file, a receipt signed by the client acknowledging delivery of the policy document. Most companies will accept the following as proof of delivery and acceptance of the policy:

- Ø A letter or note signed and dated by the client acknowledging receipt of the policy document
- Ø Registered mail receipt, where the policy document has been mailed to the client. This method of delivery cannot be used if there are post-issue requirements.

Policy Return

A policy refused on delivery must be returned to the applicable life insurer with an explanatory note indicating the date the broker met with the client to deliver it. If a client returns a policy after delivery, it must be returned to the applicable insurer with the policy receipt.

LIFE PRODUCT ILLUSTRATION

All new individual life insurance business must be accompanied by an illustration, which matches the policy as closely as possible. The only illustration the Life Company accepts is Compliance Ledger produced using the applicable company's illustration software.

The Compliance Ledger, which is designed to ensure that the client has a clear understanding of the policy and has been given all required information, is one of the cornerstones of complete and full disclosure. It must be signed both by the client and by the broker.

When changes occur during the underwriting or issue process, a new Compliance Ledger may be required. There is no need to produce a new Ledger for changes which do not affect policy values, such as:

- Ø change of beneficiary
- Ø increase in sum insured after the first policy year
- Ø addition of riders after the first policy year

For the mutual protection of the broker and the client, a new Compliance Ledger must be signed for any change which affects the plan values, plan rating, owner, or life assured(s). A new Compliance Ledger is therefore needed if, during the underwriting or issue process, there is any change in, or alteration caused by:

- Ø plan or face amount
- Ø addition or deletion of a rider or benefit
- Ø selected premium (i.e., change to selected Exempt Premium percentage)
- Ø reduction in deposit amounts during the first policy year
- Ø premium payment frequency
- Ø fund allocation (if this is the only change, the client can simply initial the Fund Allocation section of the original Compliance Ledger)
- Ø type of mortality cost
- Ø Death Benefit option
- Ø conversion (including Guaranteed Insurability Benefit (GIB), Continuous Assurance Option (CAO))
- Ø Owner

Ø flat ratings and/or age ratings

Ø age or smoking status

Commission will not be paid on individual life business until a signed Compliance Ledger is received by the issuing Life Insurer. If a new Compliance Ledger is required, it can usually be signed when the policy is delivered to the client. However, the requirement will be considered outstanding, and no commission or bonuses will be paid, until the new Ledger is received.

CLIENT FILES

Neglecting paperwork can be detrimental to a broker. If a client later questions the suitability of an investment that has been recommended to him, the broker becomes vulnerable to allegations that he/she breached his/her duty to the client.

One of the largest sources of claims against a financial products broker is a breach of client suitability rules. Problems arise when there is no written confirmation of a client's investment strategy and/or no record of changes to this investment strategy.

You can protect yourself from potential lawsuits by keeping up with your paperwork, regularly reviewing your Code of Ethics and staying abreast of regulatory changes. By following these suggestions, you stand a better chance of keeping the money you work so hard for.

In keeping with the suggested Code of Ethics - Documentation, brokers must document any advice given to a client and retain sufficient information in a client file to demonstrate the appropriateness of the advice and the sale.

In the Province of Quebec, the law requires the retention of the client's file for a minimum of three (3) years AFTER the last transaction with the client.

It is recommended that brokers in all provinces apply the rule enacted in the Province of Quebec.

KNOW YOUR CLIENT

Know Your Client

Sales people working in the financial services industry have long been aware of the "Know Your Client" rule. Clients and prospective customers look to you for recommendations on which products to purchase. They may also need your assistance in managing all aspects of their financial well-being.

Needs Analysis

The best approach to "Know Your Client" is discussion and fact-finding interviews. Once you have developed a clear picture of your client's personal circumstances and financial goals, you will be ready to develop product advice that best suits the client's needs.

You must thoroughly analyze what the client tells you. Then you must ask yourself the following questions:

- Ø Are this individual's financial goals realistic?
- Ø Does this individual's current financial strategy suit his/her financial goals?
- Ø Does this person fully understand the risks associated with his/her financial strategy?

If the answer to any of these questions is 'No', you will need to re-define or re-align the client's approach.

Suitability

You must go through a comprehensive needs analysis process before you can make a product recommendation. You must **"Know Your Client."** As a financial advisor of life insurance products, it is your responsibility to identify all the issues and make appropriate recommendations to address them.

MONEY LAUNDERING

Money laundering is the act of transferring proceeds, generated by criminal activity, into the marketplace with the intention of concealing its illegal origin. Money laundering is a criminal offense in Canada.

Under the federal government's Proceeds of Crime (Money Laundering) regulations, financial institutions are required to keep identification records for the owner(s) of any new policy or contract. Under these regulations, you must obtain information about the owner of any new policy, regardless of the method of payment. This information can be recorded on the Identification Statement form available from the applicable company.

Most life insurance contracts are exempt from this requirement. A situation where a life insurance contract may become non-exempt and the Identification Statement would be required is when the owner and/or beneficiary is a non-taxable organization, such as a charity, and as a result, the insured and/or payor recognizes immediate or deferred benefit, such as deductions from taxable income.

Verification of the owner's identity is required for all new money product applications and for all non-exempt life insurance policies.

There is no need to verify the identity of the owner if changes are made to an existing contract or if the source of funds for a new contract is an internal transfer.

Cash Payment

Every effort must be made to encourage clients to pay by cheque. Money orders, bank drafts and cash cannot be accepted by brokers. This could be construed to be rebating. A usually acceptable alternative is if the client writes and signs a note stating why they have used cash for the transaction conducted.

Identification Process

The Identification Statement certifies that the broker has examined the owner's birth certificate, passport, driver's license, etc., and recorded this information on the statement. Only documents issued by the Government of Canada or by a provincial government are acceptable. The only non-Canadian document, which will be accepted, is a valid passport.

All company application forms include an area for the owner's name and address. A number of them also include an area to indicate the owner's principal business or occupation. If an application form does not include an area for the owner's principal business or occupation, this information can be entered on the Identification Statement.

The Identification Statement itself is not a requirement. If preferred, the broker can submit a photocopy of an appropriate examined document with the statement:

“I certify that this is a true copy of an original document which I examined in order to ascertain the identity of [owner name].”

The Identification Statement and/or a photocopy of an appropriate document must be submitted to the applicable company Head Office or Regional Office along with the application.

Detailed instructions on the completion of the Identification Statement are provided on the form itself.

Reporting Suspicious Activities

The above guidelines are intended to ensure compliance with Money Laundering regulations.

Brokers are asked to be alert to and to report to the Compliance and Market Conduct Department, any behavior they find unusual or suspicious and which might indicate money-laundering activities.

The CLHIA guidelines suggest that brokers should always think carefully about clients who:

- Ø wish to buy an insurance or investment product, but are less interested in long-term performance than in cancellation or surrender terms,
- Ø ask to cancel or surrender a long-term investment soon after setting up the policy,

- Ø insist on entering into financial commitments that appear to be considerably beyond their means,
- Ø insist on using cash to complete a proposed transaction which would normally be handled by cheque or other payment instruments,
- Ø attempt to use a third party cheque, which has no apparent connection to the prospective policyholder.
- Ø wish to make a lump sum payment by wire transfer from outside the country and/or with foreign currency.
- Ø are reluctant to provide standard information.
- Ø refuse to explain why they wish to make an investment that has no obvious purpose, particularly when the investment is against “best advice” provided.
- Ø are happy to accept relatively uneconomic terms when, with a little effort, they could obtain much better terms.
- Ø suddenly vary their pattern of insurance or investment (for example, begin making large premium payments when they have previously only invested moderate, regular amounts.)

Politically Exposed Foreign Person Determination and Related Records

A politically exposed foreign person is an individual who holds or has ever held one of the following offices or positions in or on behalf of a foreign country:

- a head of state or government;
- a member of the executive council of government or member of a legislature;
- a deputy minister (or equivalent);
- an ambassador or an ambassador's attaché or counsellor;
- a military general (or higher rank);
- a president of a state owned company or bank;
- a head of a government agency;
- a judge; or
- a leader or president of a political party in a legislature.

A politically exposed foreign person also includes the following family members of the individual described above:

- mother or father;
- child;
- spouse or common law partner;
- spouse's or common law partner's mother or father and
- brother, sister, half-brother or half-sister (that is, any other child of the individual's mother or father).

Politically Exposed Foreign Person Determination

As of June 23, 2008, if you receive a lump-sum payment of \$100,000 from an individual for an annuity or a life insurance policy, you have to take reasonable measures to determine whether you are dealing with a politically exposed foreign person. This has to be done within 14 days after the transaction occurred.

In this context, reasonable measures to determine whether or not you are dealing with a politically exposed foreign person include the following:

- asking the client; or
- consulting a credible source of commercially or publicly available information about politically exposed persons.

Once you have determined that an individual is a politically exposed foreign person, you will not have to do it again.

If the individual from whom you received the lump-sum transaction described above is a politically exposed foreign person, you will also have to do the following:

- take reasonable measures to establish the source of funds used by the individual for the transaction; and
- within 14 days after the transaction occurred, get a member of senior management to review the transaction.

You have to make the determination and get senior management to review the transaction within a single period of 14 days. For example, if it takes you 5 days after the transaction to make the determination that you are in fact dealing with a politically exposed foreign person, you have 9 days left to get senior management to review the transaction.

In establishing the source of funds, reasonable measures also include asking the client or consulting available information about the transaction. Also in the context of this section, senior management means an individual who has the following:

- authority to make and be held accountable for management decisions about this type of transaction;
- awareness of the money laundering or terrorist financing risks to which the life insurance company, broker or agent or this type of transaction is exposed; and
- awareness of politically exposed foreign person

Politically Exposed Foreign Person Records

Once a transaction has been reviewed, you will have to keep a record of the following:

- the office or position of the individual who is a politically exposed foreign person;
- the source of the funds, if known, that were used for the transaction;
- the date you determined the individual to be a politically exposed foreign person;
- the name of the member of senior management who reviewed the transaction; and
- the date the transaction was reviewed.

How Should Records Be Kept?

You should maintain an effective record keeping system to enable FINTRAC to have access to the records in a timely fashion. Your records have to be kept in such a way that they can be provided to FINTRAC within 30 days of a request to examine them.

For the requirements explained in this guideline, you can keep records in a machine-readable or electronic form, as long as a paper copy can be readily produced from it. For example, if you have a document imaging system, you do not have to produce the original document for these purposes, as long as you can print the imaged one.

The record keeping requirements explained in this guideline are about each record to be kept. Your record keeping system can store the information required for any one record separately, as long as you are able to readily retrieve and put the information together for the record whenever necessary.

You are not required to keep a copy of the reports you make to FINTRAC (other than the suspicious transaction report as explained in subsection 3.4), but you may choose to do so. It is recommended that you keep the information that FINTRAC sends you in the acknowledgement message about each report processed. This provides the date and time the report was received along with its identification number.

Timeframe for keeping records

In the case of client information records and records to confirm the existence of an entity (including a corporation), these records have to be kept for five years from the day the last business transaction was conducted.

In the case of a copy of a suspicious transaction report, the record has to be kept for a period of at least five years following the date the report was made.

In the case of all other records, the records must be kept for a period of at least five years following the date they were created.

Employees, contractors, or agents who keep records for you

Your employees who keep records for you are not required to keep those records after the end of their employment with you. The same is true for individuals in a contractual relationship with you, after the end of that contractual relationship. This means that you have to get and keep the records that were kept for you by any employee or contractor before the end of that individual's employment or contract with you.

Penalties for Non-Compliance

Failure to comply with your record keeping or client identification requirements can lead to criminal charges against you. Conviction of failure to retain records could lead to up to five years imprisonment, to a fine of \$500,000, or both. Alternatively, effective December 30, 2008, failure to keep records or identify clients can lead to an administrative monetary penalty.

How to Contact FINTRAC

For further information on FINTRAC and its activities, reporting and other obligations, please go to FINTRAC's website (<http://www.fintrac-canafe.gc.ca>) or contact FINTRAC:

Financial Transactions and Reports Analysis Centre of Canada
234 Laurier Avenue West, 24th floor
Ottawa, Ontario
Canada K1P 1H7

Toll-free: 1-866-346-8722

The National Do Not Call List

On September 30, 2008 the Federal government, through the Canadian Radio-television and Telecommunications Commission (CRTC), implemented new regulations for unsolicited telecommunications, including the National Do Not Call List (DNCL). As an Insurance Advisor, these regulations will apply to you.

What is the National DNCL?

The National DNCL is a nationwide registry that allows consumers to reduce the number of unsolicited telemarketing calls they receive. With this national list, consumers can register up to three Canadian telephone, cellular and / or fax numbers on one national list. Once registered, barring certain exceptions, telemarketers are not permitted to place calls to these individuals.

Take Action

As an insurance advisor, you will need to comply with the rules, including the requirement to register with the National DNCL. You must:

1. Register with the National DNCL Operator. Register online at www.LNNTE-DNCL.gc.ca There is no charge for registration.
2. Purchase a subscription for the area codes you intend to call. Fees will be based on the subscription model you choose.
3. Download the numbers from the National DNCL and delete them from your calling lists. The version of the National DNCL that you are using must not be older than 31 days.
4. Maintain records of clients or prospects who have requested no solicitation.
5. Maintain records of your telemarketing activity.
6. Maintain records of your subscription to the National DNCL, your registration with the National DNCL Operator, and proof of payment fees.

Can I continue to call my current clients?

Yes, your current clients are one of the exceptions. Even if they've registered their number on the National DNCL, you may call individuals with whom you have an *Existing Business Relationship*; i.e. individuals who have:

- Purchased goods or services from you within 18 months of the call
- Made an inquiry or application within 6 months of the call
- A written contract that is in effect, or has expired within 18 months of the call

In addition, service calls are exempt from the DNCL rules. A **service call** is a call that:

- Relates to products or services that a client has purchased, applied for, or made inquiries about, or
- Is required by regulation and / or standards of professional conduct.

Can I use telemarketing to prospect for leads or referrals?

If the person you are calling is not yet your client, before placing the call you must first ensure they are not listed on the National DNCL. Note that you can still contact a number registered on the do-not-call list if the person has provided their consent to do so. Retain evidence of this consent for up to 3 years, as any complaints to be investigated by the CRTC may take an extended period of time.

Remember that you must access a DNCL that is not older than 31 days. In addition, you must maintain a record of any prospect who requests no further solicitation.

What are the consequences if I don't comply?

Under the National DNCL, the CRTC has new enforcement powers and can penalize telemarketers found to be in violation of the National DNCL legislation. Penalties of up to \$1500 for an individual and up to \$15000 for a corporation per infraction may be levied.

In the vent of a complaint from the CRTC, if you are able to show that you exercised due diligence to prevent the violation, you may be able to prevent a finding against you or minimize the penalty.

More Information

This communication is not intended as legal advice, nor does it provide complete details regarding the new legislation. Platinum Pacific Financial Services Ltd. encourages you to learn more about the Unsolicited Telecommunications Rules and The National DNCL and the implications to you as a Financial Advisor. Visit the National Do Not Call List page on the CRTC web site.

Please remember that you have an independent contractor relationship with Platinum Pacific Financial Services Ltd. and should therefore not identify yourself as being with or acting on behalf of Platinum Pacific Financial Services Ltd or any of its contracted supplier companies it represents when making telemarketing calls.

APPENDIX A

Illegal and Unethical Conduct

In addition to the practices listed as illegal and/or unethical in the Sales Conduct section of this manual, the following are also considered to be illegal and/or unethical. Please note that behavior considered illegal and/or unethical is not limited to items included in these two lists.

- Ø *Selling life insurance without a valid license*

- Ø *Selling an insurance policy to a non-Canadian resident*
- Ø *Sales of products that the agent is not licensed to sell*
- Ø *Charging of fees where not permissible*
- Ø *Multiple replacements (churning) that are unreasonable and unnecessary*
- Ø *Failing to advise a client of the risks associated with the sale of a particular product*
- Ø *Fraud*
- Ø *Sign, or allow other individuals to sign, an application or document on behalf of a client unless they are duly authorized to do so by law or under a Power of Attorney agreement*
- Ø *Make premium payments on behalf of a client*

APPENDIX B

Handling of Customer Complaints

A complaint from a customer indicates that we have, in some way, failed to meet those individuals' expectations. It is essential that any and all complaints from the general public or our customers be promptly handled. If our response to complaints makes customers feel recognized and they indeed count, we can, in fact, create more goodwill than if things had gone smoothly in the first place. The same applies whether the complaint is written or verbal.

COMPLAINTS FROM OUR CUSTOMERS WILL BE HANDLED QUICKLY, EFFECTIVELY AND CONSISTENTLY.

All complaints will be documented and kept on file. All remedies and correspondence must also be kept on file. See Complaint & Error Log – Appendix C

APPENDIX C



Platinum Pacific Financial Services

205 – 1708 Dolphin Ave., Kelowna B.C., V1Y 9S4 Ph: (250)763-5655 or 1-877-831-9000 (toll free)

Complaint & Error Log

The following log must be completed and kept on file by every broker for any verbal or written complaints received. Although every complaint is an expression of dissatisfaction requiring our attention, only complaints that have a financial impact, have legal implications, involve misrepresentation, or are due to error, require the completion of the Complaint & Error Log Form. This register must provide all information concerning each complaint or error and will be used as a future reference manual to make the necessary changes to prevent them from recurring.

A copy of the Complaint & Error Log must be sent to Platinum Pacific Financial Services Ltd.

Complaint Number	Complaint Code	Client Name	Policy Number	Servicing Agent	Agent Code	Date Complaint Received	Complainant's Name	Nature of Complaint	Date Decision Made	Date Decision Communicate to Client	Decision Made	Corrective Action Taken