

To My Valued Clients and Prospective Clients:

Effective November 1st, 2004, the Ontario government introduced *Regulation 347-04* that updated the licensing provisions for life insurance brokers. This legislation requires that Mainstay Insurance Brokerage Inc. disclose any potential conflict of interest and make you aware of how we operate. As your broker, Mainstay sometimes encounters what **could** be perceived as conflicts of interest, but are in reality the standard operating model in the industry. An example of this is the change in commission that we receive when the number of your staff or rates increase or decrease. While this may appear as a conflict, the model actually compensates for the changing service needs that result as your business grows and shrinks and as we deal with changing claims.

Brokers in the life insurance industry (including employee benefits) are directly compensated by the companies we do business with in a variety of ways. This includes commissions, bonuses and other inducements. From time to time, companies may offer additional incentives such as travel rewards, in recognition of sales made over a period of time. Other than local events of an educational variety, Mainstay Insurance does NOT accept these types of rewards.

The commission paid to brokers on employee benefits is typically based on your annualized paid premium. The compensation amount ranges between a minimum of 4% for HSA's, to 10-13% for small groups, and a maximum of 15% for LTD benefits and certain small group cases.

Commissions are most often set on a declining scale basis. This standard "Crown" scale pays a decreasing percentage of commission as your premium grows and is the most common scale we use with our small group clients. An example of how this scale calculates commissions:

10% of the first \$10,000 in premium	+ 7.5% of the next \$15,000 in premium +
5% of the next \$25,000 in premium	+ 3% of the next \$50,000 in premium +
2% of the next \$150,000 in premium	+ 1% of the next \$250,000 + 0.5% of any excess

As an example, a client with 10 employees paying \$2,500 per month in premiums (\$30,000/year) would generate an annual commission amount of \$2,375 for the broker for the sale and an equal amount each year for the ongoing service of the plan.

Mainstay now uses a group MGA that can be paid different fees directly from benefit providers' carriers. An amount equal to 1% to 3% of premium, may be paid by the insurer to the MGA, and does NOT directly affect your rates. An amount of up to 2% of premium could be deducted from your target loss ratio and paid to the MGA resulting in a slight rate increase. Each insurer is different in their method of MGA compensation and it is also subject to change. We believe that use of this model and of working together with an MGA provides an exceptional level of service, and excellent advice at a very reasonable price that is in fact lower than many other brokers.

As an independent broker licensed in both Ontario and Alberta, the laws that govern life insurance agents bind Mainstay Insurance Brokerage Inc. We are members of our professional association, the *Independent Financial Brokers of Canada* and follow their Code of Ethics. This means that the group insurance products that we recommend are the ones we believe are best suited to meet your needs without regard to the compensation practices of any one company.

Our role as an independent broker is to work on your behalf as your intermediary and advocate with the insurance provider, to answer any questions you may have, and to ensure your ongoing satisfaction with your benefit plan.

In an effort to distinguish Mainstay as a brokerage that deals with a number of providers rather than as an agent dealing with only one, we are currently contracted with and authorized to sell products from the following companies (subject to change):

Associum	BBD (Benefits by Design)	The Benefits Trust
Empire Life	ENCON	Great-West Life
Manulife Financial	Medavie Blue Cross	RBC Insurance
RWAM Group insurance	Sun Life	

In addition to those listed above, the **bolded** names (Third Party Administrators) may also use the following insurers (and others) to provide their services:

ACE INA Life	AIG	AXA Insurance
The Co-Operators	Green Shield Canada	Industrial Alliance
La Capitale Insurance	Standard Life	SSQ Life

We may also obtain pricing from other insurance companies and benefit providers that we are not currently contracted with, and that are not listed above, for comparison purposes.

This disclosure is made in accordance with Ontario Regulation 347/04, under the *Insurance Act*, dated this 1st day of December 2014.

Signed:

MAINSTAY INSURANCE BROKERAGE INC.



David J. Patriarche
President