



A GRYPHIN ADVANTAGE GUIDE

# Completing a *Reason Why* letter.

A practical guide for advisors writing client-facing letters that satisfy current Canadian regulatory expectations — and protect both the client and your business.

---

## 01 — THE FOUNDATION

## What it is, and why it matters

**A** Reason Why letter is a brief, plain-language summary that tells your client what they bought, why they bought it, and what was discussed but not implemented. It is required industry practice for every life insurance and segregated fund sale in Canada.

The letter is not paperwork for the regulator. It is paperwork for the client — written in language they can understand. The fact that it also serves as your suitability evidence under the Fair Treatment of Customers framework is the second-order benefit.

“

*If you ever need to defend the recommendation — to a client, an estate, a lawyer, or a regulator — this letter is the first document that gets read.*

## 02 — TIMING

## When to send it

### LIFE & LIVING BENEFITS

#### On or before policy delivery

The client should have the letter in hand at the same time as the contract.

### SEG FUNDS • ANNUITIES

#### As soon as practicable

No value in delaying — the suitability decision is fresh and the client is most engaged in the days following.

### REPLACEMENTS

#### Alongside the LIRD

The LIRD is regulated paperwork; the Reason Why letter is the plain-language explanation that helps the client understand the change.

## 03 — DELIVERY

## How to deliver it

Letter or email, depending on what the client prefers. If you email, document that the client agreed to email communication for compliance documents. Either way, retain a copy in the file.

**One page is the target.** Two pages is acceptable for complex cases involving multiple products, replacements, or layered needs.

Anything longer usually means the recommendation has not been distilled clearly enough.

## 04 — REQUIRED ELEMENTS

# What every letter must contain

Reflects the framework set out by CLHIA, reinforced by CCIR/CISRO Fair Treatment of Customers guidance, and applied by all major Canadian carriers.

01

## Recommendation

Carrier, product brand, type of insurance or investment, and coverage or investment amount. Specific enough that the client can match the letter to the contract.

02

## Client circumstances

Relevant facts from the needs analysis — family, income, dependants, existing coverage, time horizon. Only what informed the recommendation.

03

## Needs addressed

Each need linked back to the product feature that satisfies it: income replacement, debt protection, estate equalisation, retirement income, capital preservation.

04

## Gaps & trade-offs

Name the gap, explain why the client chose this path, and note what was deferred for later review. Honesty here is protective.

05

## Alternatives considered

Other products, carriers, or strategies discussed and why this one was preferred. The suitability evidence regulators look for.

06

## Fees (seg funds)

Front-end, back-end, low-load, no-load, or F-class. Required for segregated fund and annuity sales.

07

## Replacements

State the replacement clearly and reference that the LIRD was completed and provided alongside.

08

## Closing & next steps

Agreed follow-ups, deferred needs, review dates, items the client is providing. Invite questions.

## 05 — CRAFT

## Writing it well

The regulator's standard is plain language. The client's standard is higher: they want to feel that you understood their situation. Both are met the same way.

### Write to the client, not about them

Use "you" and "we." Quote the client's own words back — "you said your priority was making sure the mortgage is paid off." That sentence does more for suitability than three paragraphs of needs analysis.

### Name the product, not the category

"A 20-year term policy with Canada Life for \$750,000" is useful. "Life insurance coverage" is not. Specificity is what makes the letter auditable.

### Show your reasoning, briefly

"We discussed permanent insurance, but given your cash flow and the fact that the mortgage will be paid off in 18 years, term was the better fit." Twenty-eight words of suitability evidence.

### Acknowledge what was deferred

If a need was identified but not addressed — write it down. Note the discussion, the client's choice, and when you'll revisit. The single biggest piece of protection the letter offers you.

### Avoid jargon, but don't oversimplify

If MER, surrender charges, or attained age apply — use them and define them in one short phrase.

## 06 — AUDIT FLAGS

## What weak letters look like

Patterns that draw scrutiny in compliance reviews.

### RED FLAGS

- × Generic needs language that could apply to any client
- × No mention of alternatives considered or rejected
- × No reference to actual financial circumstances
- × Fee disclosure missing or buried on seg fund sales
- × Replacements that don't explain why the new is better
- × Identical letters across multiple clients

## 07 — EXCEPTIONS

## Other documentation

If you already provide a written communication — a financial plan or planning summary — that contains all required elements, that document can satisfy the requirement. **The standard is content, not format.**

## 08 — RECORDS

## Record-keeping

Retain a copy in the format it was sent. If by email, retain the email itself — the metadata confirms when and to whom.

**During Gryphin audits**, this letter is one of the first documents reviewed for any sampled file.