Insurance Council
BRITISH COLUMBIA

Practice Audit Form – General Insurance Agency

The Insurance Council of BC Practice Audit Program is a regulatory program that aims to enhance public protection and licensee support through proactive reviews of licensee practices to ensure they are meeting their requirements under legislation, and under the Insurance Council Rules and Code of Conduct. The program works with licensees to identify and address potential issues before complaints are received by providing feedback and practice guidance. Based on information collected in this form, the Insurance Council may, at its discretion, request further information and/or supporting documentation from licensees.

This form is to be completed by the nominee(s) of a General Insurance Agency. Please answer all the questions in this form and return the completed form by the due date as stated in the letter accompanying this audit questionnaire.

Agency Identification

1. Agency Licence Name:	
2. Agency Licence Number:	
3. Name(s) of Nominee(s) completing this Audit:	
4. Nominee(s) Licence Number(s):	

Agency Activities, Insurance Council Rules, Code of Conduct, and communications

The Insurance Council Rules establish licence conditions and requirements for all licensees in addition to the requirements set out in the provincial *Financial Institutions Act* and other legislation. Council Rule 7(8) requires all licensees to comply with the Insurance Council Code of Conduct, which defines and communicates standards of conduct for use by licensees in their practice of the business of insurance. Additional resources such as Insurance Council's website, Practice Advisory Notices, Guidelines, as well as appendices to the Insurance Council Code of Conduct, expand on many of the principles and requirements detailed in the Insurance Council Rules and Code.

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All Insurance Council licensees must be aware of and comply with the Insurance Council Rules, Code of Conduct, the *Insurance Act*, and the *Financial Institutions Act* in accordance with Section 13.2 of the Code of Conduct.

The nominee is responsible for all insurance activities of the agency or firm as per Insurance Council Rule 7(6) and section 5.3 of Insurance Council Code of Conduct. This includes making sure all insurance activities of the agency are appropriately supervised; there are sufficient procedures to facilitate compliance with the Insurance Council's requirements; and the public's interest is properly served.

Section 7, Appendix A, and Appendix B of the Insurance Council Code of Conduct requires the licensee to put the best interests of the client as your first concern, as befits the role of a fiduciary.

5. How does your Agency ensure that licensees are informed of and stay up to date with Insurance Council requirements and communications?

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6. Describe the measures your agency has in place to ensure agency activities and licensees comply with Insurance Council Rules, Code of Conduct, Notices and Guidelines.

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7. Rule 7(14) requires general insurance nominees and general insurance agencies ensure that all activities are actively supervised by a level 3 general insurance agent. Describe your agency's supervision policy and supervision practices.

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8. Number of locations and/or branches transacting insurance business:

9. Number of licensees authorized to represent the agency:

10. How many licensees hold a level 2 or 3 agent licence?

11. How many licensees hold a level 1 salespersons licence?

12. Is all of your agency insurance business transacted with the general public?

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13. If the answer to question 12 is NO, then describe these other insurance operations, including any services as an intermediary, wholesaler, managing general agent, third-party administrator, reinsurance broker, sub-broker, etc.

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14. Please describe your agency's distribution channels and sales methods (i.e., in person, call centre, digital, online sales, apps, etc.).

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15. Insurance Council Code of Conduct, section 10, requires licensees present themselves to the public ("hold themselves out") in the way they are licensed, and that they must be licensed in the way they are doing business. This includes ensuring trade names are properly registered and that all letterhead, business cards, websites, advertising, including social media, etc., properly reflect the name(s) shown on the agency's licence.
a) Are all trade names reflected on your agency licence, and do business cards, letterhead, website(s), email including signature(s), advertising, social media, etc., reflect only the name(s) shown on your licence?
b) If the answer to question 15 a) is NO, please explain.

SAMPLE

16. Insurance Council Practice Advisory Notice ICN 20-001 Brokering Best Practice provides recommendations on brokering best practices. This includes helping clients understand the market, informing clients of changes in insurance coverage, ensuring you provide timely notifications to clients such as contacting clients a minimum of 60 days in advance of renewal, providing the necessary and appropriate professional advice, and ensuring a licensee's duty of care is met.

    Describe your Agency's practices in communicating with clients and ensuring appropriate, timely and professional advice is provided to clients. In your answer include how you assess client's needs, keep clients informed of changes to insurance coverages and offerings, when and how you communicate with clients about their coverages, when and how you communicate renewal terms, and how clients are informed of relevant insurance market changes and matters.

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17. Insurance agents are required to comply with the disclosure requirements contained in the *Financial Products Disclosure Regulation* under the *Financial Institutions Act*. The disclosure requirements apply every time an insurance transaction takes place.
a) How do you ensure that clients are informed of relevant disclosures and that an insurance product meets the client's needs when selling insurance products through each of your agency's distribution channels? In your answer, please provide details such as how disclosures are provided to clients, whether disclosures are acknowledged by clients, and how the disclosure methods differ through each of your agency's distribution channels.
b) Please provide a copy of your agency's standard written disclosure(s) showing your compliance with the *Financial Products Disclosure Regulation*. Please email the document along with this completed audit questionnaire to practice@insurancecouncilofbc.com.

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18. Insurance Council Code of Conduct and Appendix B – Client Confidentiality Guidelines for Insurance Agents, Adjusters, and Salespersons, sets out that maintaining the privacy and confidentiality of client information is one of the cornerstones of the insurance industry.
a) Describe how your agency protects and ensures client confidentiality and privacy. In your response, please describe the measures in place at the agency location, including digitally.

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b) Please describe the measures in place for licensees who work off-site, including licensees who are on the road or work remotely.
19. Section 7.3.15 of Insurance Council Code of Conduct, requires that you deal with all formal and informal complaints or disputes in good faith and in a timely and forthright manner, including, when necessary, referring the complainant to other more appropriate people, processes and/or organizations. Describe your policy and process for dealing with formal and informal complaints or disputes.

SAMPLE

20. Requirements on finder or referral fees differ depending on whether the person receiving the compensation is an appropriately licensed insurance agent and what insurance activities the third party has conducted. The sharing of commissions between appropriately licensed agents is allowable and referral fees may be paid to an unlicensed person however, both the person paying the referral fee and the person being paid must meet certain requirements. Referral fees are not payable in relation to strata business.
a) Does your agency receive referral fees, pay referral fees or have any commission sharing arrangements with licensed or unlicensed individuals or entities?
b) If the answer to question 20 a) is YES, describe these referral fee transactions (received and/or paid), and any commission sharing arrangements, including the parties involved, the relationship with the parties, and how you meet the requirements?

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c) If your agency pays referral fees to an unlicensed person or unlicensed entity, please explain how your agency complies with the requirements in the *Financial Products Disclosure Regulation.*

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21. Insurance Council Practice Advisory Notice ICN 22-001 Rebating Guidelines, published February 28, 2022, introduced a guideline for licensees engaged in the practice of rebating. The Rebating Guidelines clarify the Insurance Council's interpretation of rebating of premiums as set out in Section 79(1) of the *Financial Institutions Act* including providing clarification on how to meet the requirements under the Act, the permitted rebate amount, how to calculate a rebate, the allowable timing of a rebate, when rebates are not allowed, and the disclosure requirements and expectations of licensees engaged in the practice of rebating.
a) Does your agency engage in the practice of rebating? Yes/No
b) If the answer to question 21 a) is YES, describe the measures your agency has in place to ensure you are meeting the requirements and expectations as outlined in the Rebating Guidelines and as set out in the *Financial Institutions Act*.

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22. Insurance Council Code of Conduct and Appendix A – Conflict of Interest Guidelines for Insurance Agents, Adjusters, and Salespersons, sets out a licensee's responsibility to avoid conflicts of interest and further provides direction on how to plan for and address situations when a conflict of interest arises. Describe your agency's policies and practices for monitoring, identifying, and managing conflicts of interest. In your answer include how you disclose potential or real conflicts of interest to clients and obtain their express consent, where required.

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23. Insurance Council Practice Advisory Notice ICN 23-001 Conflict of Interest in Strata Insurance Business, published February 23, 2023, introduces Insurance Council Rule 7(11.2), which addresses potential conflicts of interest where a licensed insurance agency or adjusting firm has common ownership with a property management company. Rule 7(11.2) came in to effect July 1, 2023, and prohibits an insurance agency from engaging in insurance business for a strata corporation where that agency has common ownership with the corporation, business or other entity providing property management services to the strata corporation. All licensees are expected to be in compliance. Is your agency aware of and in compliance with this rule? Please explain.

SAMPLE

24. Insurance Council Rule 7(3) requires licensees to provide notification of certain changes or decisions that are related to their insurance licence. These may be related to personal or business related changes, or disciplinary or legal charges and decisions, and when a licensee's authorization to represent an insurance agency or general insurance direct writer is withdrawn. Describe your process for complying with the notification requirements of Insurance Council Rule 7(3).

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25. Depending on your activities, you may have obligations under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*, the *PCMLTFA*, and associated Regulations to develop and maintain a compliance program and a know your client program, to report transactions, and to keep records. Reporting entities must report certain transactions to the *Financial Transactions and Reports Analysis Centre of Canada (FINTRAC)*. If you are a reporting entity, describe how you comply with *PCMLTFA* and associated Regulations.

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Level 1 Salespersons Activities and Supervision

The Guidelines for Supervision of General Insurance Level 1 Salespersons came into effect May 11, 2022. These guidelines clarify expectations of agencies and nominees in meeting their supervisory responsibilities relating to level 1 salesperson licensees.

26. Nominees are responsible for ensuring level 1 salesperson licensees receive adequate and appropriate supervision. Appropriate supervision includes assessing a level 1 salesperson licensee's competency to ensure that the oversight provided is consistent with the level 1 salesperson licensee's knowledge, training, experience and skillset, regardless of whether the supervision is delegated or the supervision is provided in person or via remote means. Agencies should have a written agency supervision policy which outlines how the nominee or delegate will carry out their supervision duties and responsibilities.
a) Describe how your agency ensures level 1 salesperson licensees receive adequate and appropriate supervision, including what measures and supports your agency has in place specifically to supervise level 1 salespersons, and to ensure you are meeting the expectations outlined within the Guidelines for Supervision of General Insurance Level 1 Salespersons.

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b) How many of your agency's level 1 salesperson licensees work remotely or offsite?
c) If your agency has level 1 salesperson licensees working off-site or remotely, describe how your agency's supervision policy and supervision practices may differ depending on the level 1 salesperson licensee's work location (such as when salespersons work offsite, are on the road or work remotely).

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27. Describe how your agency assesses a level 1 salesperson licensee's competence, including your methods and approaches for assessing knowledge, training, experience and skillset.

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28. a) Describe the work that level 1 salespersons undertake on behalf of your agency. Please include examples of the types of insurance activities, products, transactions and clients level 1 salespersons licensees might service and/or work with.
b) Please list the titles and/or positions which your level 1 salesperson licensees hold at your agency.

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c) Please describe the operational authority, if any, level 1 salespersons(s) have at the agency.
d) Please describe what operational restrictions, if any, that apply to level 1 salesperson licensees.
e) Salespersons conducting licensed activities must abide by licence restrictions set out in Insurance Council Rule 6(1). Insurance Council Rule 6(1)(d) sets out that the licensee's compensation must consist of a salary, whereby a minimum of 60% of the annual income is based on an hourly, daily, or other regular rate. Please describe how your agency is meeting this requirement.

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Compliance with Notice ICN 20-003 Requirements for Strata Insurance Business

In September 2020, the provincial government approved legislative changes regarding strata property insurance business. These changes introduced requirements related to the payment of referral fees, notification periods for changes to or non-renewal of strata property insurance, and compensation disclosure. These requirements apply to all strata property insurance business regardless of the size of the strata and include commercial strata properties. Insurance Council Notice ICN 20-003 Requirements for Strata Insurance Business, issued on November 23, 2020, outlines expectations and provides guidance.

29. Is your agency engaged in strata insurance business? If the answer is YES, then continue to answer corresponding questions 30 – 33 If the answer is NO, then enter N/A for questions 30 – 33
30. Effective November 1, 2020, the total dollar amount of commission or other compensation received by an agency for a strata property insurance policy must be disclosed in writing to the strata corporation. If that information is not available, an estimate of that amount and how it will be calculated must be provided. Licensees must ensure they provide disclosure within the required notification period: a minimum of 30 days prior to the expiry of the existing strata contract. Taking into consideration the additional 5 days required by the *Strata Property Act* and *Interpretation Act*, this makes the actual requirement 35 days. Explain how your agency complies with this requirement.

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31. Describe your agency's renewal process for strata business and how your agency communicates with clients informing them of the situation and their options when renewal terms are not available at least 35 days in advance of the policy expiration.

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32. Describe how you handle instances where a client's strata property insurance will not be renewed at the same terms and conditions or where there is a material change to the strata insurance contract.
33. Provide a copy of your agency's standard written disclosure(s) that has been used with one of your strata clients. Please email the document along with this completed audit questionnaire to practice@insurancecouncilofbc.com.

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Use of Unauthorized Insurers

Licensees have requirements under Insurance Council Rule 7(11.1) and section 9 of the *Insurer Exemption Regulation* with respect to their use of unauthorized insurers. Insurance Council Notice ICN 21-001 Use of Unauthorized Insurers, which was issued on September 9, 2021, outlines expectations and provides guidance.

Section 76(1)(c) of the *Financial Institutions Act* describes an unauthorized insurer as an insurer prohibited by section 75 from carrying on insurance business in BC.

34. From January 1, 2023, to December 31, 2023, has your agency placed coverage with an unauthorized insurer?

35. Further to question 34, is your agency's use of unauthorized insurers expected to change in 2024? Please explain.

36. How many insurance policies did your agency place with unauthorized insurers from January 1, 2023, to December 31, 2023?

37. If your agency placed coverage with unauthorized insurers in 2023, which countries were these unauthorized insurers domiciled within?

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38. What are common reasons clients requested your agency to bind coverage with an unauthorized insurer?

39. What are common coverages or risks that your agency is placing with unauthorized insurers?

40. Do these coverage placements with unauthorized insurers include coverage for strata clients?

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41. There is a requirement under the *Insurer Exemption Regulation* to notify the Superintendent of Financial Institutions and you must complete and file the Placement of Insurance with Unauthorized Insurers Return form for each policy placed with unauthorized insurers.
a) Did your agency submit this information for each policy that was placed with an unauthorized insurer?
b) If the answer to question 41 a) is NO, please explain.

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42. Describe your agency practice of ensuring that insurance coverage is not available from an authorized insurer before placing insurance business with an unauthorized insurer, pursuant to Rule 7.11.1(c)(i).

43. Describe how your agency obtains written consent from the client, prior to the insurance transaction, to negotiate or procure insurance coverage with an unauthorized insurer, pursuant to Rule 7.11.1(c)(ii).

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44. Provide a copy of the written disclosure(s) which has been used with one of your agency clients in relation to an unauthorized insurer transaction, pursuant to Rule 7.11.1(c)(iii). Please email the document(s) to practice@insurancecouncilofbc.com.

45. Describe how your agency ensures clients are aware of and informed of the responsibilities and risks involved in dealing with unauthorized insurers, pursuant to Rule 7.11.1(c)(iii).

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46. Describe your agency practice for collecting and managing premiums for unauthorized insurer transactions, pursuant to Rule 7.11.1(c)(iv).

47. Effective September 9, 2021, Insurance Council issued Insurance Council Notice ICN 21-001 Use of Unauthorized Insurers clarifying a licensee's requirements when placing insurance with an unauthorized insurer, including instructions for providing notification to Insurance Council for each transaction prior to the completion of the transaction. Explain how your agency complies with these notification requirements.

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48. Council Rule 7(11) establishes the requirement for all insurance licensees to maintain or be covered by Errors and Omissions (E&O) insurance that includes a minimum coverage of $1,000,000 per claim and $2,000,000 in the aggregate that extends to all insurance activities.

    Insurance Council Practice Advisory Notices ICN-07-007 and ICN-15-006 provide further guidance and clarification. Where agencies or firms, operating as separate legal entities, elect to comply with Council Rule 7(11) by combining their Errors and Omissions insurance coverage under one blanket policy:

    - The minimum coverage for the blanket policy must be equal to or greater than the minimum coverage requirement ($1,000,000 per claim; $2,000,000 aggregate) multiplied by the number of agencies or firms named on the blanket policy.
    - In addition, each agency or firm named on the blanket policy must have a dedicated coverage limit that meets the minimum coverage requirements.

    Please attach a copy of your current E&O policy and email it with your completed practice audit questionnaire to practice@insurancecouncilofbc.com

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49. Comments

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DOCUMENTS TO BE RETURNED WITH THIS COMPLETED AUDIT QUESTIONNAIRE:

I confirm that I have attached the following documents with this Questionnaire:

- ❑ A copy of your agency's standard written disclosure(s) as used to comply with the *Financial Products Disclosure Regulation* (as requested in question 17 b)).
- ❑ A copy of your agency's standard written disclosure(s) as used with one of your strata clients (as requested in question 33).
- ❑ A copy of the written disclosure(s) as used with one of your agency clients in relation to an unauthorized insurer transaction, pursuant to Insurance Council Rule 7.11.1(c)(iii) (as requested in question 44).
- ❑ A copy your current E&O policy, pursuant to Insurance Council Rule 7(11) (as requested in question 48).