Insurance Council
BRITISH COLUMBIA

Q&A | Guidelines for Life Insurance Agencies: Role and Responsibilities in the Distribution of Life Insurance in British Columbia

V.1.1 – Updated March 29, 2023

The new *Guidelines for Life Insurance Agencies: Role and Responsibilities in the Distribution of Life Insurance in British Columbia* came into effect April 8, 2022 for all life and/or accident & sickness insurance agencies.

To help nominees understand the guidelines and how they apply, this Q&A addresses questions related to the new guidelines.

GENERAL

Q: What's different about the new guidelines?
A: The new life insurance agency guidelines include information on:

- Clarification regarding the overall role of agencies in the distribution of insurance;
- Factors that agencies should consider in determining a life agent's suitability and risk;
- Assessment of ongoing monitoring practices to manage risks effectively; and
- Reporting requirements of conduct concerns related to the suitability of an agent to the Insurance Council.

Q: Do managing general agents (MGA), associate general agents (AGA) and other distribution models need to be aware of and comply with the requirements in these new guidelines?
A: Yes, these guidelines apply to all MGAs and AGAs in British Columbia (BC). MGAs and AGAs require a life insurance agency licence to conduct insurance business in BC. There is no separate licence class for MGAs and AGAs. The Insurance Council's requirements and expectations set out for agencies apply to all distribution models of life insurance that require an agency licence in BC.

Q: Are these guidelines applicable to non-resident life insurance agencies that may or may not be licensed in other jurisdictions?
A: Yes.

Q: Why is there only one guideline when there are various life insurance distribution models?
A: Although there may be many different distribution models, the Insurance Council does not differentiate between different contractual relationships that licensees may have with insurers with respect to agency requirements, best practices and expectations. All life insurance agencies have the same regulatory requirements and expectations, regardless of the distribution model.

LICENSING REQUIREMENTS

Q: Do MGAs and AGAs require an insurance licence in BC?
A: Yes, all life insurance agencies require a licence in BC. Agencies must comply with the Insurance Council's licensing requirements, which includes but are not limited to: maintaining errors and omissions insurance, complying with the Insurance Council Rules and Code of Conduct, and submitting an annual licence renewal.

Q: What is an ATR and do agencies need to submit ATR for agents who represent an MGA?
A: An ATR means Authority to Represent an insurance agency, firm or direct writer. An ATR is required for licensees who hold out as employees or representatives of an agency. Nominees or authorized delegates can add or remove ATRs through the online portal. To verify if an ATR has been added for an agent to represent the agency, check the Licensee Directory by searching the agent's name. Alternatively, nominees or authorized delegates may review the current list of authorizations to represent through the online portal.

Agencies only need to submit ATRs for agents who are authorized by the agency to hold out as an employee or representative of the agency. An ATR is not required for unaffiliated agents who are independent contractors for agencies/insurers and represent themselves.

Q: Can MGAs offer products direct to the public in addition to brokers?
A: Yes. The Insurance Council does not determine who the client is and authorizes licensure to MGAs the same way direct to consumer agencies are licensed.

Q: I am a nominee of a life insurance agency that is non-client facing. What requirements would my agency be subject to?
A: All life insurance agencies are subject to the new *Guidelines for Life Insurance Agencies*.

Q: Do agencies require Errors and Omissions (E&O) insurance if they aren't client-facing?
A: Yes, per Council Rule 7(11), all licensed agents and agencies must maintain or be covered by E&O insurance that extends to all activities as a licensed insurance agent.

COMPLIANCE

Q: Is there a template document for agent screening and monitoring?
A: No.

Q: How does the agency/nominee demonstrate compliance of the principles in the guidelines?
A: The guidelines are intended to support agency nominees in determining how they can maintain compliance and oversight in the distribution of insurance in BC. Nominees are expected to demonstrate that they are meeting the principles set out in the guidelines. This includes having proper policies and procedures that document how specific practices are implemented to facilitate compliance with Insurance Council requirements and to ensure client's needs are properly served.

Q: Can agents work with multiple agencies? If so, who is responsible for agents' activities?
A: Yes, agents can work with more than one agency. Agents are responsible for ensuring they carry out insurance activities in compliance with their insurer and regulatory requirements (e.g. continuing education). Agents should also be aware of any other legislation and contractual requirements that may impact their practice, such as the *Personal Information Protection Act*.

Each agency is responsible for ensuring all insurance activities at the agency are appropriately supervised and agents receive adequate training. Each agency is responsible for providing oversight of the activities related to the agency's insurance business and that it is in the best interest of the clients.

REPORTING

Q: We ended our contracts with a life agent as there are concerns with the agent's suitability or competency. Do we need to report the cancellation to the Insurance Council?
A: Agencies should report concerns regarding the suitability of an agent to the Insurance Council. These include conduct issues related to an agent's trustworthiness, competency, and ethics. Concerns should be reported by way of a written submission to the Insurance Council.

Q: If an agent is no longer authorized to represent an insurance agency, what are the reporting requirements to the Insurance Council?
A: Both the agent and the employer must submit written notification that the authorization has been withdrawn within five business days of the withdrawal, regardless of whether the reason for withdrawal of the authorization is with or without cause. Nominees may update authorizations to represent (ATR) through the Insurance Council's online portal.

Q: Does the Insurance Council require agents/agencies to submit confirmation of insurer contracts?

A: No, the Insurance Council does not track agency contracts with insurers, but agents and agencies must maintain at least one contract with an insurer authorized to do life insurance business in BC, per Council Rule 7(16)(a).

Should you have any further questions, please contact our Practice and Quality Assurance Team at practice@insurancecouncilofbc.com or 604-695-2008, toll-free 1-877-688-0321.