

June 5, 2019

Canadian Association of Financial Institutions in Insurance
Att: Brendan Wycks and Keith Martin
200 – 411 Richmond Street East
Toronto, Ontario M5A 3S5

Dear Brendan Wycks and Keith Martin:

Re: Consultation on Updated Guidance for New Life Agent Supervision Requirement

The Insurance Council of British Columbia (“Council”) will be updating its guidance for the New Life Agent Supervision Requirement to provide a greater level of protection to the public.

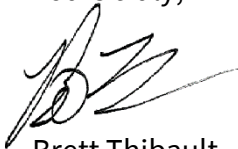
Prior to implementation, Council is seeking industry feedback on the contents of its updated guidance, including the updated Supervisor Undertaking Form as well as the two new forms: Confirmation of Completion Form and Process Review Statement.

Council values your comments, which may be submitted until the end of the day Friday, July 5, 2019.

Please direct your comments in electronic format to: feedback@insurancecouncilofbc.com.

Once the consultation period is complete, Council will review the feedback and publish a final guidance on the supervision of new life and/or accident and sickness insurance agents.

Yours truly,



Brett Thibault
Director, Governance and Stakeholder Engagement

Encl.

INSURANCE COUNCIL OF BRITISH COLUMBIA
(“Council”)

Consultation on Updated Guidance for New Life Agent Supervision Requirement

Council first introduced its mandatory supervision requirement for new life and/or accident and sickness insurance agents (“New Life Agent”) in 2012 (as per Council Notice ICN 12-005 Supervision of New Life and/or Accident & Sickness Insurance Agents) after finding that the level of oversight of New Life Agents varied substantially across the industry.

As part of its ongoing review of the mandatory supervision requirement, Council found that there are inconsistent levels of oversight being used by life and/or accident and sickness insurance agent supervisors (the “supervisor”) across the industry and a general lack of understanding for the role of the supervisor. For example, some New Life Agents were unable to identify the name of their supervisor, while some supervisors were found to be overseeing hundreds of New Life Agents at one time, without any knowledge of the day-to-day business practices of the New Life Agent. Council investigations have identified that some supervisors have minimal or no direct interaction with the New Life Agent throughout the mandatory supervision period and some supervisors delegate most, if not all, supervision duties. Council believes that these types of practices do not adequately protect the public, thus further guidance is required.

To help supervisors and New Life Agents be compliant with their responsibilities under Council Rules, Council has updated its guidance, including updating the Supervisor Undertaking Form and is introducing two new forms: the Confirmation of Completion Form, which is mandatory and a Process Review Statement, which is recommended for use. These forms have been designed to guide supervisors and New Life Agents in understanding their duties and obligations, and to act in the public’s best interest.

Council believes that its updated guidance, in particular the new forms, will ensure a more consistent level of supervision of New Life Agents in British Columbia, which will ultimately provide a greater level of protection to the public.

Prior to implementation, Council is seeking industry feedback on the contents of its updated guidance, including the above-named forms.

Read the [updated guidance on the supervision requirement](#).

Comments may be submitted until the end of the day **Friday, July 5, 2019**.

Please direct your comments in electronic format to: **feedback@insurancecouncilofbc.com**.

NOTICE

If you wish to send comments in paper format, please direct them to Council's office.

Once the consultation period is complete, Council will review the feedback and publish final guidance on the supervision of New Life Agents.

If you have any questions regarding this Notice, please contact Regulatory Services by calling 604-694-2008.

June 5, 2019
ICN 19-003

UPDATED GUIDANCE ON THE SUPERVISION REQUIREMENT FOR NEW LIFE AND/OR ACCIDENT & SICKNESS INSURANCE AGENTS

BACKGROUND

The Insurance Council of British Columbia (“Council”) first introduced its mandatory supervision requirement for new life and/or accident and sickness insurance agents (“New Life Agent”) in 2012 (as per Council Notice ICN 12-005 *Supervision of New Life and/or Accident & Sickness Insurance Agents*) after finding that the level of oversight of New Life Agents varied substantially across the industry.

As part of its ongoing review of the mandatory supervision requirement, Council found that there are inconsistent levels of oversight being used by life and/or accident and sickness insurance agent supervisors (the “supervisor”) across the industry and a general lack of understanding for the role of the supervisor. For example, some New Life Agents were unable to identify the name of their supervisor, while some supervisors were found to be overseeing hundreds of New Life Agents at one time, without any knowledge of the day-to-day business practices of the New Life Agent. Council investigations have identified that some supervisors have minimal or no direct interaction with the New Life Agent throughout the mandatory supervision period and some supervisors delegate most, if not all, supervision duties. Council believes that these types of practices do not adequately protect the public, thus further guidance is required.

In light of these situations, Council has updated its guidance for supervisors and New Life Agents regarding their responsibilities under Council Rules.

THE NEW LIFE AGENT

A New Life Agent is an individual who has not held an active licence of the same class for a minimum of 24 months. Licensing in another Canadian jurisdiction will be taken into account when considering the amount of time a New Life Agent has been licensed. **Non-resident applicants** who are licensed in their home jurisdiction are required to meet this supervisory requirement. Council will permit the use of a non-resident supervisor, as long as the non-resident supervisor meets the stated requirements and currently holds an active licence in British Columbia.

An exception to the 24 months mandatory supervision requirement may be allowed where an applicant or New Life Agent holds a current Chartered Life Underwriter, Certified Financial Planner, or Registered Financial Planner designation. In these cases, the applicant or New Life Agent may request to have the period of mandatory supervision reduced. The period of mandatory supervision may be reduced by up to 12 months.

Unless otherwise approved by Council, a New Life Agent must only conduct insurance activities under the supervision of a supervisor. If a New Life Agent ceases to be supervised prior to completing the mandatory supervision period the New Life Agent must immediately cease all insurance activities and notify Council in writing that they no longer have an active supervisor. The New Life Agent's licence will automatically become inactive until Council receives and approves an undertaking from a new supervisor.

THE SUPERVISOR

A qualified supervisor is an individual who holds an active British Columbia licence, and can demonstrate that they have been an active, licensed life and/or accident and sickness agent in a Canadian jurisdiction for a minimum of five of the last seven years. Council will consider exceptions to the minimum five years' experience requirement where a licensee can demonstrate alternate, relevant experience and/or education.

There are a number of factors a supervisor should consider prior to agreeing to be a supervisor, including the obligations to Council that come with this role.

THE SUPERVISOR'S RESPONSIBILITIES

A supervisor's duties include the following, at a minimum.

1. Should a supervisor decide to withdraw as a new life agent's supervisor before the mandatory supervision period is completed, the supervisor must provide written notification to Council within 5 business days. Until written notification is received by Council, the supervisor remains accountable for the New Life Agent. The supervisor must also provide the reason for ceasing to supervise a New Life Agent if the reason for ceasing to supervise relates to a New Life Agent's suitability or conduct as a licensee.
 2. At the end of the 24 months mandatory supervision period, the supervisor must submit the Supervision Period: Confirmation of Completion form to Council.
 3. The supervisor should inform the New Life Agent of the New Life Agent's responsibility to complete a needs analysis for the sale of every insurance contract, including segregated funds, and of the New Life Agent's responsibility to present the needs analysis and application to the supervisor to be reviewed.
 4. The supervisor should complete and countersign the Supervision Process Review Statement, declaring that the supervisor has reviewed the New Life Agent's proposed recommendations for the client.
 5. The supervisor should assist the New Life Agent in developing procedures regarding proper practice and record keeping.
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6. The supervisor should ensure that the New Life Agent is representing themselves to the public in the manner in which they are licensed.
7. The supervisor should maintain all supervision related documents, including statements, a summary of the supervisor's meetings with the New Life Agent, and any notes concerning the New Life Agent's progress.
8. The supervisor is expected to make recommendations for ongoing education relevant to the New Life Agent's area of practice and/or provide ongoing training to ensure the New Life Agent has appropriate product knowledge and awareness of regulatory requirements.
9. A supervisor should not have more than 25 New Life Agents under their oversight at any time.
10. The supervisor's accountability to Council is not altered should the supervisor delegate any of the supervisory responsibilities to a designate. Such designate must also hold the qualifications required to be a supervisor.

It is the supervisor's responsibility to determine what additional supervision duties are required to ensure that there is an adequate level of supervision for the New Life Agent.

The supervisor will be held mutually responsible, along with the New Life Agent, and may face potential disciplinary action where sales practices and client recommendations are not made in accordance with regulatory requirements.

Council recommends all supervisors confirm with their errors and omissions carrier that their coverage is adequate for their supervision responsibilities.

To help supervisors be compliant with their responsibilities under Council Rules, Council has updated its supervisor undertaking form and is introducing two new forms: the confirmation of completion form, which is mandatory and a process review statement, which is recommended for use. These forms have been designed to guide supervisors and New Life Agents in understanding their duties and obligations, and therefore act in the public's best interest.

NEW LIFE AND/OR A&S AGENT SUPERVISOR UNDERTAKING FORM (UPDATED FORM: MANDATORY)

A New Life Agent is required to demonstrate, as part of the licence application, that a qualified, licensed individual, has agreed to act as their supervisor. In order to meet this requirement, Council's application form for an individual licence includes a mandatory supervisor undertaking form, which must be completed by a qualified licensee stating that they are agreeing to act as the supervisor. **The completed form must be submitted before the application can be finalized.** Council has updated this form to clarify what is required of supervisors and New Life Agents during the mandatory supervision period.

A copy of the updated supervisor undertaking form is attached to this document

SUPERVISION PERIOD: CONFIRMATION OF COMPLETION (NEW FORM: MANDATORY)

The standard, mandatory supervision period is 24 months of active licensing. If a New Life Agent's licence is inactive, suspended, or terminated at any time during the 24-month period, the mandatory supervision period will continue until the New Life Agent has accumulated 24 months as an active licensee. Once a New Life Agent has accumulated the required 24 months of active licensing, the supervisor must complete the confirmation of completion form and submit it to Council no later than 10 days after the date on which the mandatory supervision period ends. This new form requires supervisors to formally communicate their observations of the New Life Agent during the mandatory supervision period. The mandatory supervision period will continue until the confirmation of completion form is reviewed by Council, including the supervisor's confirmation that the New Life Agent is recommended for an unsupervised licence. If the supervisor does not recommend the New Life Agent for an unsupervised licence the mandatory supervision period will continue until such time as the supervisor provides confirmation that they recommend the licensee for an unsupervised licence.

A copy of the confirmation of completion form is attached to this document.

SUPERVISION PROCESS REVIEW STATEMENT (NEW FORM: RECOMMENDED)

It is the supervisor's responsibility to ensure there is an adequate level of supervision for a New Life Agent. Where an issue with a New Life Agent's practice comes to Council's attention, the supervisor is required to demonstrate that an appropriate level of supervision was in place in the circumstances.

Council has created a process review statement for supervisors to document their supervision related activities. Although not mandatory, Council recommends that the process review statement, or something similar, be completed for every file that the supervisor reviews.

A copy of the process review statement is attached to this document.

CONCLUSION

Council believes that its proposed updates, in particular the new forms, will ensure a more consistent level of supervision of New Life Agents in British Columbia, which will ultimately provide a greater level of protection to the public. The official implementation of the updated guidance for supervisors and New Life Agents regarding their responsibilities under Council Rules and the new forms is to be determined.

Failure to adhere to the mandatory supervision requirement will be viewed as a breach of the usual practice of the business of insurance and could result in disciplinary action.



For details on the licensing process, refer to Council's website at insurancecouncilofbc.com.

SECTION 1 APPLICANT/LICENSEE INFORMATION

Licence Number (if applicable):
Legal first name:
Legal middle name(s):
Legal last name:

Select ONE only. This form represents:

<input type="checkbox"/> Part of a Licence Application	<input type="checkbox"/> Appointment of New Supervisor
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SECTION 2 APPLICANT/LICENSEE QUALIFIED DESIGNATIONS

Note: If you do not have one of the following designations listed below – leave this section blank and proceed to Section 3.

I currently hold one of the following designations and am requesting a reduction in the 24 month supervision requirement under Council Rules:

☐ Chartered Life Underwriter ☐ Certified Financial Planner ☐ Registered Financial Planner

Attach a copy of your designation (if applicable). By signing below, you are confirming that your designation is current. If you have any questions as to whether your designation is current, please call the organization that granted the designation.

SECTION 3 APPLICANT/LICENSEE DECLARATION & SIGNATURE

I, the undersigned, affirm that all information being submitted is accurate and complete. If I am appointing a new supervisor, I confirm that I have advised my existing supervisor on record with Council of the change. My new supervisor is aware of and has consented to all other business activities I am engaged in, if any. I will provide the supervisor signing this undertaking a copy of all insurance related material for each life and/or A&S insurance application that I prepare during the period of supervision.

SIGNATURE OF
APPLICANT/LICENSEE

DATE SIGNED
(MM/DD/YYYY)

SECTION 4 SUPERVISOR DECLARATION & SIGNATURE

I, the undersigned, affirm that all the information being submitted is accurate and complete, and that I am qualified under Council Rules to act as a supervisor for this Applicant/Licensee. I agree to supervise this Applicant/Licensee, and understand that this Applicant/Licensee must only conduct insurance activities under my supervision. I will review all insurance related material for each life and/or A&S insurance application that the Applicant/Licensee prepares during the period of supervision. Additionally, I will provide the Applicant/Licensee with adequate mentoring so that the Applicant/Licensee develops appropriate skills, procedures, and record keeping practices. I understand that under Council Rules, I am required to notify Council in writing within five (5) business days if I cease to act as the Applicant/Licensee's supervisor; and to include in the notification the reasons for withdrawing as supervisor if they relate to the person's suitability or conduct as a licensee.

SIGNATURE OF
SUPERVISOR

PRINT FULL LEGAL NAME
OF SUPERVISOR

LICENCE NUMBER

DATE SIGNED
(MM/DD/YYYY)

**Note: Any Supervisor seeking an exemption to the minimum five years' experience requirement must make a separate submission outlining their qualifications, including confirmation of licensed experience in another Canadian jurisdiction, if applicable. Once an exemption is granted, a Supervisor does not need to resubmit the request with subsequent Supervisor Undertakings.*

Note:
This Form must be filed with Council.



For details on supervision requirements, refer to Council's website at insurancecouncilofbc.com.

INSTRUCTIONS: THIS FORM MUST ONLY BE COMPLETED IF THE MANDATORY SUPERVISION PERIOD IS COMPLETE. THE SUPERVISOR MUST SUBMIT THIS FORM NO LATER THAN 10 DAYS AFTER THE DATE ON WHICH THE SUPERVISION PERIOD ENDS.

USE SECTION 3 TO MAKE ANY COMMENTS REGARDING THE SUPERVISED LICENSEE'S WORK AND APTITUDES AND YOUR RECOMMENDATION FOR COMPLETION OF THE SUPERVISION PERIOD. YOU MUST ANSWER ALL QUESTIONS.

SECTION 1 SUPERVISED LICENSEE INFORMATION

Licence Number:
Legal first name:
Legal middle name(s):
Legal last name:

SECTION 2 SUPERVISOR INFORMATION

Licence Number:
Legal first name:
Legal middle name(s):
Legal last name:

SECTION 3 SUPERVISOR STATEMENT

I believe that the supervised licensee complied with Council Rules and all regulatory requirements throughout the supervision period.	<input type="checkbox"/> Yes
	<input type="checkbox"/> No
If you answered no , please explain why.	
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I believe that the supervised licensee has the knowledge and skills and has demonstrated the conduct and attitudes needed to undertake professional activities as a life &/or A&S agent.	<input type="checkbox"/> Yes
	<input type="checkbox"/> No
If you answered no , please explain why.	
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I believe that the supervised licensee is able to handle files of a level of complexity corresponding to that usually assigned to individuals with a similar tenure of licenced experience.

☐ Yes

☐ No

If you answered **no**, please explain why.

I affirm that the supervised licensees work was reviewed throughout the supervision period.

☐ Yes

☐ No

If you answered **no**, please explain why.

I recommend the supervised licensee for an unsupervised licence for life &/or A&S insurance.

☐ Yes

☐ No

If you answered **no**, please explain why.

SECTION 4 SUPERVISED LICENSEE SIGNATURE

SIGNATURE OF LICENSEE

DATE SIGNED (MM/DD/YYYY)

SECTION 5 SUPERVISOR DECLARATION & SIGNATURE

I, the undersigned, affirm that all the information being submitted is accurate and complete.

SIGNATURE OF SUPERVISOR

DATE SIGNED (MM/DD/YYYY)

Note:
This Form must be filed with Council.



For details on supervision requirements refer to Council's website at insurancecouncilofbc.com.

SECTION 1 SUPERVISOR DECLARATION AND SIGNATURE

I, _____ (supervisor), affirm that I am a holder of an insurance licence authorizing me to transact the class of insurance for which I am completing this supervision statement. I also affirm that I am qualified in accordance with Council Rules to act as a supervisor.

I have reviewed the following insurance related material used or prepared by _____ (supervised licensee) for _____ (client) and believe that the insurance applied for is appropriate to the needs and circumstances of the client.

Category of Insurance (Check one or more)	<input type="checkbox"/> Accident & Sickness	<input type="checkbox"/> Life	<input type="checkbox"/> Segregated Funds
Purpose of Insurance (Check one or more)	<input type="checkbox"/> Income Replacement <input type="checkbox"/> Debt Protection <input type="checkbox"/> Business Protection <input type="checkbox"/> Estate Preservation <input type="checkbox"/> Other (Please Specify): _____		
<input type="checkbox"/> Education Funding <input type="checkbox"/> Charitable Giving <input type="checkbox"/> Health & Travel <input type="checkbox"/> Group Benefits			
Insurance Product(s) Applied for: _____			
Insurance Amount(s) Applied for: _____			
Insurance Application Reviewed (If no, explain)	<input type="checkbox"/> Yes	<input type="checkbox"/> No	_____
Needs Analysis Reviewed (If no, explain)	<input type="checkbox"/> Yes	<input type="checkbox"/> No	_____
Policy Illustrations Reviewed (If no, explain)	<input type="checkbox"/> Yes	<input type="checkbox"/> No	_____
Life Insurance Replacement (If Yes, LIRD and Written Comparative Analysis Reviewed)	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Yes
Segregated Funds Leveraging (If Yes, Disclosure Document Reviewed)	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Yes

SIGNATURE OF SUPERVISOR

PRINT NAME AND TITLE

DATE SIGNED (MM/DD/YYYY)

SECTION 2 SUPERVISED LICENSEE'S DECLARATION AND SIGNATURE

I, the undersigned, affirm that I have provided to the supervisor signing this Statement, a copy of all material I have used with the named applicant/client.

SIGNATURE OF SUPERVISED LICENSEE

PRINT NAME

DATE SIGNED (MM/DD/YYYY)

Note:**Both licensees signing this Statement must retain a copy for their records.**