

# **Insurance Council**

**BRITISH COLUMBIA**

## **Guidelines for Supervision of New Life and/or Accident & Sickness Agents**

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## **GUIDELINES FOR SUPERVISION OF NEW LIFE AND/OR ACCIDENT & SICKNESS AGENTS**

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### **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 and/or A&S Agents”) 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 and/or A&S 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 and/or A&S Agents were unable to identify the name of their supervisor, while some supervisors were found to be overseeing hundreds of New Life and/or A&S Agents at one time, without any knowledge of the day-to-day business practices of the New Life and/or A&S Agent. Council investigations have identified that some supervisors have minimal or no direct interaction with the New Life and/or A&S 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 and/or A&S Agents regarding their responsibilities under Council Rules.

### **THE NEW LIFE AND/OR A&S AGENT**

#### **What is a New Life and/or A&S Agent?**

A New Life and/or A&S Agent is an individual who has not held an active licence of the same class for a minimum of 24 months.

Some exceptions apply to 1) reactivated licences, 2) experienced non-resident applicants, and 3) those with qualifying designations. These are noted below.

Licensing in another Canadian jurisdiction will be taken into account when considering the amount of time a New Life and/or A&S Agent has been licensed.

## Exceptions

- 1) Reactivated Licences – Those who qualified for their licence under the Reactivation Provision in Council Rule 2(19) and previously held an active licence of the same class for a minimum of 2 years are exempt from the mandatory supervision requirement.
- 2) Non-Resident Applicants – Non-resident applicants who have been actively licensed in their home jurisdiction for a minimum of 24 months are exempt from this mandatory supervisory requirement.
- 3) Qualifying Designations - An exception to the 24 months mandatory supervision requirement will be allowed where an applicant or New Life and/or A&S Agent holds a current Chartered Life Underwriter, Certified Financial Planner, or Registered Financial Planner designation in good standing. In these cases, the applicant or New Life and/or A&S Agent may request to have the period of mandatory supervision reduced. The period of mandatory supervision will be reduced by 12 months. The period of supervision may be extended beyond the remaining 12 months if the supervisor determines this to be necessary. (See section “[Supervision Period – Length of Supervisory Period](#)”)

## THE SUPERVISOR

### Who Can Supervise?

A qualified supervisor is an individual who:

- holds an active British Columbia licence of the same class as the New Life and/or A&S Agent,
- can demonstrate that they have been an active, licensed life and/or accident and sickness agent of the same class 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.

Non-Resident Supervisors - 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.

### Maximum Number of Supervisees

A supervisor may not have more than 25 New Life and/or A&S Agents under their oversight at any time.

## **SUPERVISION PERIOD**

### **Conducting Insurance Activities**

Unless otherwise approved by Council, a New Life and/or A&S Agent must only conduct insurance activities under the oversight of a supervisor. Any insurance activities undertaken must fall within the class of insurance for which the supervisor is authorized to transact.

### **Length of Supervisory Period**

The minimum length of mandatory supervision that is required is 24 months. An exception may apply (see [“What is a New Life and/or A&S Agent”](#) section above).

If at the end of the mandatory supervisory period the supervisor does not recommend the New Life and/or A&S Agent for an unsupervised licence, supervision of the New Life and/or A&S Agent must continue until such time as the supervisor provides the *Supervision Period: Confirmation of Completion* form, indicating that they recommend the licensee for an unsupervised licence, and the form is reviewed and approved by Council.

### **Interruptions in Period of Supervision**

#### Loss of Supervision

If a New Life and/or A&S Agent ceases to be supervised prior to completing the mandatory supervision period, the New Life and/or A&S Agent must immediately cease all insurance activities. The New Life and/or A&S Agent’s licence will automatically become inactive until Council receives and approves an undertaking from a new supervisor.

#### Changes to Licence Status

If a New Life and/or A&S Agent’s licence is inactive, suspended, or cancelled at any time during the supervision period, the mandatory supervision period will continue until the New Life and/or A&S Agent has accumulated the required time under supervision as an active licensee.

## **SUPERVISOR'S RESPONSIBILITIES**

### **Supervisory Duties**

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

#### Providing Guidance

- The supervisor should assist the New Life and/or A&S Agent in developing procedures regarding proper practice and record keeping.
- The supervisor should ensure that the New Life and/or A&S Agent is representing themselves to the public in the manner in which they are licensed.
- The supervisor should inform the New Life and/or A&S Agent of the New Life and/or A&S Agent's responsibility to complete a needs analysis for the sale of every insurance contract, including segregated funds, and of the New Life and/or A&S Agent's responsibility to present the needs analysis and application to the supervisor to be reviewed.
- If using the optional *Supervision Process Review Statement*, the supervisor should complete and countersign the form, declaring that the supervisor has reviewed the New Life and/or A&S Agent's proposed recommendations for the client.
- The supervisor is expected to make recommendations for ongoing education relevant to the New Life and/or A&S Agent's area of practice and/or provide ongoing training to ensure the New Life and/or A&S Agent has appropriate product knowledge and awareness of regulatory requirements.

#### Retaining Documentation

- The supervisor should maintain all supervision related documents, including statements, a summary of the supervisor's meetings with the New Life and/or A&S Agent, and any notes concerning the New Life and/or A&S Agent's progress.

#### Completion of Supervision Period

- At the end of the supervision period, the supervisor must submit the *Supervision Period: Confirmation of Completion* form to Council.

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 and/or A&S Agent.

### **Accountability**

The supervisor is responsible for providing oversight and guidance to the New Life and/or A&S Agent, and may face potential disciplinary action where sales practices and client recommendations are not made in accordance with regulatory requirements.

## Errors and Omissions Coverage

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

## Delegation of Supervision

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.

## Withdrawing as Supervisor

Should a supervisor decide to withdraw as a New Life and/or A&S Agent's supervisor before the mandatory supervision period is completed, the supervisor must provide written notification to Council within 5 business days that they are no longer the supervisor. Until written notification is received by Council, the supervisor remains accountable for the New Life and/or A&S Agent. The supervisor must also provide the reason for ceasing to supervise a New Life and/or A&S Agent if the reason for ceasing to supervise relates to a New Life and/or A&S Agent's suitability or conduct as a licensee.

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 and/or A&S Agents in understanding their duties and obligations, and therefore act in the public's best interest.

## NEW LIFE AND/OR ACCIDENT & SICKNESS AGENT SUPERVISOR UNDERTAKING FORM (UPDATED FORM: MANDATORY)

A New Life and/or A&S 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, licensees must submit Council's application form for an individual licence including 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 and/or A&S Agents during the mandatory supervision period.

A copy of the updated Supervisor Undertaking Form is available on Council's website.

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

Once a New Life and/or A&S Agent has accumulated the required time of active licensing under supervision and their supervisor deems them to be ready for unsupervised practice, the supervisor must complete the Confirmation of Completion Form and submit it to Council. This new form requires supervisors to formally communicate their observations of the New Life and/or A&S Agent during the mandatory supervision period. The mandatory supervision period must continue until the Confirmation of Completion Form is reviewed by Council, including the supervisor's confirmation that the New Life and/or A&S Agent is recommended for an unsupervised licence. If the supervisor does not recommend the New Life and/or A&S Agent for an unsupervised licence, the mandatory supervision period will continue until such time as the supervisor provides the Confirmation of Completion Form, indicating that they recommend the licensee for an unsupervised licence, and the form is reviewed by Council.

A copy of the Confirmation of Completion Form is available on Council's website.

## **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 and/or A&S Agent. Where an issue with a New Life and/or A&S 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 form 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 available on Council's website.

## **TRANSITION**

The updated guidance will apply to licence applications received by Council on or after January 1, 2020. The Confirmation of Completion Form will be required for New Life and/or A&S Agents who are under supervision on or after January 1, 2020.

It is recommended that individuals review their applications carefully to ensure they are submitting the appropriate forms.

## **CONCLUSION**

Council believes that its proposed updates, in particular the new forms, will ensure a more consistent level of supervision of New Life and/or A&S Agents in British Columbia, which will ultimately provide a greater level of protection to the public.

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.