

INSURANCE COUNCIL OF BRITISH COLUMBIA
("Council")

**SUITABILITY OF INSURANCE LICENSEES
WHO ARE THE SUBJECT OF ENFORCEMENT ACTION
BY ANOTHER FINANCIAL SERVICES REGULATOR**

To be suitable to hold an insurance licence in British Columbia, an individual must demonstrate trustworthiness, competence, financial reliability, and an intention to carry on the business of insurance in good faith. This is a requirement both when applying for a licence and on an ongoing basis once licensed to engage in insurance activities.

Accordingly, when Council encounters an applicant for an insurance licence, or an insurance licensee, who has been the subject of enforcement action by another financial services regulator, it undertakes a thorough review of the circumstances to determine what impact such enforcement action has on the applicant's or licensee's suitability to hold an insurance licence.

Generally, in the case of an applicant for an insurance licence who has been, or is, the subject of enforcement action or a pending investigation by another financial services regulator, Council will not consider issuing a licence until all aspects of the enforcement matter or the pending investigation have been addressed.

In the case of an existing licensee who has been the subject of significant enforcement action from another financial services regulator (such as a suspension or a ban from practicing) arising from an act or actions of the licensee that resulted in harm to the public, Council would usually impose a similar penalty on the existing licensee. Where the licensee's act or actions did not result in public harm, Council would inspect the licensee's insurance practice and, if the inspection did not reveal any concerns, Council typically would not take any additional action against the licensee.

Council has recently reviewed its policy and practice in situations where an insurance licensee has been disciplined by another financial services regulator for actions that did not result in direct public harm. Council has determined it is prudent to prevent regulatory arbitrage, such as can occur when a financial services professional is permitted to practice in one sector of the financial services industry while simultaneously being unsuitable to practice in another sector.

Reciprocal Enforcement

In an effort to ensure the public maintains confidence in the insurance industry and to maintain consistency between financial services sectors, Council has implemented the following approach:

1. If an insurance licensee's licence or registration with another financial services regulator is suspended, terminated, or otherwise ended for a period of one or more years, Council will immediately take equivalent action against the licensee, regardless of the reasons for the other regulator's decision.

NOTICE

2. If an insurance licensee's licence or registration with another financial services regulator is suspended, terminated, or otherwise ended for a period of less than one year, or if the other regulator puts the licensee under supervision, Council will, at minimum, immediately place the licensee under supervision for an equivalent period of time.
3. If an insurance licensee's licence or registration with another financial services regulator becomes subject to conditions or restrictions due to misconduct that creates the potential for risk to the insurance-buying public, Council will, at minimum, immediately impose similar conditions or restrictions on the licensee's insurance licence and it may also take other steps as deemed necessary in the circumstances.

In the examples set out above, Council will exercise its authority under section 238 of the *Financial Institutions Act* (the "Act") in order to avoid undue delay and to ensure the public is properly protected. Section 238 of the Act provides Council with the authority to suspend, cancel, or restrict a licence, without a hearing, if Council determines that the length of time to hold a hearing would be detrimental to the due administration of the Act.

Protection of the Public is Paramount

In implementing this approach to its review of insurance licensees and applicants who have been the subject of enforcement action by another financial services regulator, Council is ensuring that the interests of the public remains paramount.

If you have any questions about this Notice, please contact Regulatory Services by emailing info@insurancecouncilofbc.com or calling Council's main number, and at the prompt press "2".

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