

**INSURANCE COUNCIL OF BRITISH COLUMBIA  
("Council")**

**SUPERVISION OF NEW LIFE  
AND / OR ACCIDENT & SICKNESS INSURANCE AGENTS**

In accordance with section 7(1) of the Insurance Council Rule-making Procedure Regulation, this Notice is Council's official publication that Council Rules 7(16.1), (16.2), (17.1), and (17.2) and the accompanying definitions ("New Rules") will come into effect on September 1, 2012.

The New Rules establish a mandatory supervision requirement for new life and / or accident and sickness insurance agents ("New Life Agent"). The New Rules will apply to all licences issued to New Life Agents where the licence has an effective date of September 1, 2012 or later.

The following provides a brief summary of the changes.

**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 time a New Life Agent has been licensed. Non-resident applicants who are licensed in their home jurisdiction will not be required to meet this supervisory requirement.

An exception to the 24 month 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 supervision reduced. The period of supervision may be reduced by up to 12 months.

**THE SUPERVISOR**

A New Life Agent that has a licence with an effective date of September 1, 2012 or later will be required to demonstrate as part of the application that a qualified licensed individual has agreed to act as his or her supervisor.

Council's application form for an individual licence is being amended and will be available on August 1, 2012. The application will include a supervisory undertaking that will have to be completed by a qualified licensee stating he or she is agreeing to act as a supervisor. Individuals who submit an application without a supervisory undertaking where a licence is not issued prior to September 1, 2012 will be required to submit a supervisory undertaking before the application can be finalized. A supervisory undertaking form will be available on Council's website and will be included in all life and A&S application packages.

A qualified life insurance agent is an individual who holds an active licence and can demonstrate that he or she has been an active, licensed life insurance agent in a Canadian jurisdiction for a minimum of five of the last seven years. While Council will not review the qualifications of every individual proposing to be a supervisor, it reserves the right to undertake a review of any supervisor's qualifications on a case-by-case basis.

## **THE SUPERVISOR - *continued***

Council will consider exceptions to the minimum five years' experience requirement where a licensee can demonstrate alternate, relevant experience and / or education. For example, an individual with three years' licensed experience who also has either three years' experience in management with an insurer or holds a recognized designation may be considered equivalent for the purpose of acting as a supervisor.

There are a number of factors a supervisor should consider prior to agreeing to be a supervisor, including the liabilities that come with this role. Council recommends all supervisors confirm with their errors and omissions carrier that their coverage is adequate for the additional responsibilities.

Supervisors should exercise due diligence in familiarizing themselves with a New Life Agent applicant before taking on this responsibility. The fact that Council may issue a licence to an applicant should not be the sole factor used to determine whether to supervise a New Life Agent.

A supervisor's responsibilities should include but are not limited to:

1. Establishing prudent guidelines and procedures governing the activities of the New Life Agent. These would include determining the level of review appropriate for every insurance application taken by the New Life Agent. In the initial stages of a New Life Agent's career, the most prudent approach would be for the supervisor to closely review every insurance application to ensure the recommendation being proposed is appropriate for the client. This could be accomplished by having the New Life Agent support the recommendation with detailed documentation that demonstrates the appropriateness for the client. The supervisor must be satisfied that the New Life Agent has demonstrated he or she is knowledgeable about the insurance product(s) being recommended and understands the client's needs.

The supervisor must take into consideration factors such as any education or training the New Life Agent has completed since obtaining a licence and the ability of the New Life Agent to demonstrate he or she understands the products available and can apply this knowledge to a client's specific needs.

As the New Life Agent attains greater knowledge and experience, a supervisor may feel comfortable in modifying the level of supervision.

2. The supervisor should assist the New Life Agent in developing procedures regarding proper practice and record keeping, as well as make recommendations for ongoing education relevant to the New Life Agent's area of practice.
3. Supervisors may delegate some or all of the supervisory requirements but it is important to note that this does not alter the supervisor's accountability to Council.

## **THE SUPERVISOR - *continued***

Ultimately, it is the supervisor's responsibility to determine what procedures are appropriate to ensure there is an adequate level of supervision for a New Life Agent. Council recommends, although it is not required, that these procedures and guidelines be in writing. The better they are defined, the easier it will be for a New Life Agent to understand what is expected in his or her insurance practice.

Where an issue with a New Life Agent's practice comes to Council's attention, the supervisor will be required to demonstrate that an appropriate level of supervision was in place in the circumstances. Where a supervisor demonstrates there was adequate supervision in place, then the supervisor will not be accountable for the New Life Agent's actions.

If a supervisor withdraws as a New Life Agent's supervisor, then written disclosure must be made to Council within 5 business days. If the reason for withdrawing as a supervisor is related to the New Life Agent's suitability or conduct as a licensee, the supervisor must include this in the written disclosure to Council. The supervisor must also notify the New Life Agent of the withdrawal immediately.

It is important for supervisors to understand that not only would failure to meet these notification requirements be a breach of Council Rules, if the supervisor does not ensure the New Life Agent is aware that he or she is withdrawing as a supervisor, Council may hold the supervisor accountable for the New Life Agent's actions. As an example, if the New Life Agent continued to act as an agent, then Council may hold the supervisor responsible.

While a supervisor is not responsible for notifying Council of a New Life Agent's abilities after the 24 month supervision period is over, if a supervisor believes that the New Life Agent is not qualified to conduct insurance activities unsupervised after the 24 month period is complete, Council expects the supervisor to notify Council of his or her concerns.

## **THE SUPERVISION PERIOD**

The standard, mandatory supervision period is 24 months of active licensing. If a New Life Agent's licence is inactive at any time during the 24 month period, the supervision period will continue until the new New Life Agent has accumulated 24 months as an active licensee.

If a New Life Agent ceases to be supervised prior to accumulating 24 active licensed months, the New Life Agent must immediately cease all insurance activities and notify Council in writing that he or she no longer has an active supervisor. The New Life Agent's licence will automatically become inactive until Council receives an undertaking from a new supervisor.

Once a New Life Agent has accumulated the required 24 months of active licensing, the licence condition will automatically be removed without any further action required by the licensee or the supervisor. Supervisors are cautioned that it is their responsibility to ensure that the New Life Agent has completed the required 24 months of active licensed experience before they cease their supervisory duties.

## **TIMING OF APPLICATIONS**

The New Rules will apply based on the effective date of a licence, not the date an application is received by Council. Applicants who are considering submitting an application should be aware that if their licence is not approved until on or after September 1, 2012, regardless of when the application was made, the New Rules will apply. Please note that while the majority of licence applications are processed within ten business days, processing times can be longer. This should be taken into consideration by individuals submitting an application for a life agent's licence before September 1, 2012.

It is recommended individuals review their applications carefully to ensure there are no outstanding requirements that may delay processing. Individuals will be contacted where an application has been received without a supervisory undertaking and a licence is not issued prior to September 1, 2012. A supervisory undertaking form will be required at that time to further consider the licence application.

A current copy of Council Rules is available on our website under *Council Rules*.

If you have any questions regarding the New Rules, please contact Regulatory Services by calling Council's main number and at the prompt press "2."

ICN# 12-005  
July 20, 2012