

INSURANCE COUNCIL OF BRITISH COLUMBIA
("Council")

**PROPOSED CHANGES TO LICENCE RESTRICTIONS FOR
LEVEL 1 GENERAL INSURANCE SALESPERSONS**

Recently, the Insurance Corporation of British Columbia ("ICBC") announced that effective January 1, 2017, it will be introducing a new Autoplan Service at Dealerships Agreement that will require licensees who engage in providing mobile road services ("MRS") to hold, at minimum, a Level 2 general insurance agent ("Level 2 agent") licence. This requirement increases the current standard, which allows Level 1 general insurance salespersons ("Level 1 Salespersons") who have a minimum of three months of licensed experience to engage in MRS activities.

Council shares ICBC's concerns, as there has been a significant increase in the number of issues relating to Level 1 Salespersons engaged in improper activities, particularly with regard to the sale of automobile insurance.

Council believes issues with Level 1 Salespersons continue to arise because some insurance agencies and nominees continue to allow Level 1 Salespersons to engage in insurance activities that, at best, do not meet the spirit and intent of a Level 1 Salesperson licence. In this regard and in conjunction with this Notice, Council has just published further guidance (*see Council Notice ICN 16-002*) on the insurance activities Level 1 Salespersons can and cannot engage in.

With regard to MRS insurance activities, Council believes the current education and experience requirements for Level 1 Salespersons are not adequate and changes are necessary.

Council has considered how best to address the concerns with MRS activity by Level 1 Salespersons, and has identified options that could allow Level 1 Salespersons to continue to conduct MRS activities after December 31, 2016.

Currently, Council Rule 6(1) establishes Level 1 Salesperson licence restrictions as:

- (a) *the licensee must not sign contracts of insurance on behalf of an insurer;*
- (b) *the licensee must not carry on general insurance business in any place other than on the premises of the insurance agency the licensee is authorized to represent, except where the licensee has 3 consecutive months of automobile insurance experience, at which time the licensee may conduct automobile insurance on the premises of an automobile wholesaler, dealer or auction, or a car rental business; and*
- (c) *the licensee must only conduct general insurance business under the direct supervision of a general insurance agent.*

NOTICE

Proposed Changes to Level 1 Salespersons

As an alternative to ICBC's proposal to require all MRS activity be conducted by Level 2 agents, Council is proposing to amend Council Rule 6(1) to include the following conditions and restrictions:

- I. *Increase the minimum level of experience for Level 1 Salespersons conducting MRS activities from 3 consecutive months of automobile insurance experience to a minimum of 9–12 months of experience as a Level 1 Salesperson.*

The current minimum experience requirement for a Level 1 Salesperson to conduct MRS activities is three months of licensed automobile insurance experience. Council is not satisfied this is an adequate experience period to permit a Level 1 Salesperson to work unsupervised outside an insurance agency office. Council favours a minimum licenced experience level of 12 months, but is open to a slightly lower time frame.

Council noted that if there was an appropriate and relevant education option available, it might have been possible to consider a lower level of experience. Unfortunately, this is currently not the case. However, if at some future time an appropriate educational option is identified, Council would be open to revisiting the minimum experience requirement.

In settling on a minimum licenced experience requirement of nine to 12 months, Council considered the impact on the industry. Council believes an increase in experience levels for Level 1 Salespersons would be manageable, noting that there are currently 7,600 active Level 1 Salespersons, and approximately 75% of these will have a minimum of 12 months of experience on January 1, 2017.

- II. *Prohibiting Level 1 Salespersons from being paid on a commission basis*

In a number of disciplinary cases recently before Council, the form of compensation for Level 1 Salespersons has been a contributing factor in their inappropriate behavior. Council has found that some agencies and nominees are treating their Level 1 Salespersons as insurance agents, and compensating them primarily on a commission basis. Level 1 Salespersons are employees, not insurance agents, and should not be treated or permitted to act like insurance agents.

Accordingly, Council believes that compensation packages for Level 1 Salespersons that are tied directly to sales are not appropriate or in keeping with the spirit and intent of a Level 1 Salesperson licence.

Council is proposing a licence restriction that would prohibit Level 1 Salespersons from being paid on a commission basis that is tied to the sale of insurance. Council is recommending that compensation paid to Level 1 Salespersons be restricted to salaried income only, with a provision for a bonus structure that can be included in a Level 1 Salesperson's compensation package. However, any bonuses should not exceed 15% of annual income, nor should they be tied solely to a Level 1 Salesperson's individual insurance sales.

III. Completion of the Council Rules Course for New Licensees

Council has recently introduced its Council Rules Course for all new licensees. The Council Rules Course will provide training on Council Rules and a licensee's regulatory responsibilities, including those pertaining to confidentiality and conflicts of interest.

As a condition of a Level 1 Salesperson being permitted to conduct MRS activities, he or she will be required to have first completed the Council Rules Course. Further details on this new course can be found in Council's Notice *ICN 16-001*.

Industry Consultations

The proposed changes set out above are intended to commence a discussion on whether there is a more appropriate alternative to ICBC's proposal that, at minimum, a Level 2 agent licence be required to engage in providing MRS services.

While industry stakeholders are encouraged to provide comments and feedback directly to Council, Council is also hosting a series of meetings around the province focusing on Level 1 Salespersons and MRS activities. These meetings will be held in Vancouver, Surrey, Victoria, Nanaimo, Kamloops, Kelowna, and Prince George during April 2016. Please see the attached document for the dates and locations of the meetings.

Licensees may provide written feedback by April 30, 2016 by email, or mail to Council's address below, to the attention of Gerald Matier, Executive Director.

Once this consultation process is complete, Council will determine whether there is a consensus on what limits should be in place for Level 1 Salespersons. If there is consensus, Council will proceed with initiating an amendment to Council Rule 6(1) to be in place by January 1, 2017.

If you have any questions about Level 1 Salesperson licence restrictions or this Notice, please contact Regulatory Services by emailing info@insurancecouncilofbc.com or calling Council's main number and at the prompt press "2".

March 3, 2016
ICN 16-003

INSURANCE COUNCIL OF BRITISH COLUMBIA
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CONSULTATION MEETINGS

The following meetings have been scheduled to provide stakeholders the opportunity to discuss the changes outlined in Council Notice *ICN 16-003 Proposed Changes to the Licence Restrictions for General Insurance Salespersons*.

Pre-registration is not required. The meetings will be held on a first come, first seated basis.

City	Date and Time	Location
Vancouver	Wednesday, April 6, 2016 10:00 a.m. to 12 p.m.	Coast Coal Harbour Hotel Coal Harbour A 1180 West Hastings Street Vancouver, BC V6E 4R5
Victoria	Thursday, April 14, 2016 10:00 a.m. to 12 p.m.	Coast Victoria Harbourside Hotel & Marina Coast Ballroom 146 Kingston Street Victoria, BC V8V 1V4
Nanaimo	Friday, April 15, 2016 10:00 a.m. to 12 p.m.	Coast Bastion Hotel Ladysmith Room 11 Bastion Street Nanaimo, BC V9R 6E4
Kamloops	Monday, April 18, 2016 10:00 a.m. to 12 p.m.	Coast Kamloops Hotel & Conference Centre Vista Room 1250 Rogers Way, Kamloops, BC V1S 1N5
Kelowna	Tuesday, April 19, 2016 10:00 a.m. to 12 p.m.	Coast Capri Hotel Vineyard Room 1171 Harvey Avenue Kelowna, BC V1Y 6E8
Prince George	Monday, April 25, 2016 10:00 a.m. to 12 p.m.	Coast Inn of the North Nechako Room 770 Brunswick Street Prince George, BC V2L 2C2
Surrey	Wednesday, April 27, 2016 10:00 a.m. to 12 p.m.	Sheraton Vancouver Guildford Hotel Fraser Room 15269 104 Avenue Surrey, BC V3R 1N5

Please Note: Attendance at these meetings does not qualify for continuing education credit.