Insurance Council
BRITISH COLUMBIA

NOTICE

ICN 22-002 | Guidelines for Life Insurance Agencies: Role and Responsibilities in the Distribution of Life Insurance in British Columbia

April 8, 2022

The Insurance Council of BC has updated its guidance on expectations for life insurance agencies in the distribution of life insurance in British Columbia. The new *Guidelines for Life Insurance Agencies: Role and Responsibilities in the Distribution of Life Insurance in British Columbia* replace the guidance previously outlined in Notice *ICN 12-001 Role and Responsibilities of Managing General Agents ("MGA") in the Distribution of Life Insurance in British Columbia*.

Background

The Insurance Council issued guidance in 2012 regarding the role of MGAs in the distribution of life insurance products. Since then, the Insurance Council has found that there are differing interpretations of the roles and responsibilities of life insurance agencies holding different insurer/agency contracts. This has resulted in inconsistent compliance and oversight of the distribution of insurance by life insurance agencies.

Licensee requirements

The *Guidelines for Life Insurance Agencies* apply to all life and/or accident and sickness insurance agencies involved in the distribution of insurance, including, but not limited to those that hold MGA contracts with insurers. Nominees are expected to be aware of and familiarize themselves with this updated guidance.

Agency's duties and responsibilities

The updated guidelines outline the roles and responsibilities of life insurance agencies in the distribution of insurance. The following are expanded in the guidelines:

- Clarification regarding the overall role of agencies in the distribution of insurance.
- Factors that agencies should consider in determining a life agent's suitability and risk;
- Assessment of ongoing monitoring practices to manage risks effectively; and
- Reporting requirements of conduct concerns related to the suitability of an agent to the Insurance Council.

Regulatory requirements

Council Rule 7(6) sets out the nominee's responsibility to the Insurance Council for all activities of the insurance agency. Nominees must ensure that the agency and its licensees are appropriately supervised, and there are sufficient procedures to facilitate compliance with Insurance Council requirements.

Sections 7 and 8 of the Code of Conduct set out licensees' (including agencies') duty to clients and insurers with whom they transact business. Agencies should ensure that life agents are suitable and competent before facilitating or recommending they hold a contract with an insurer. When considering ongoing monitoring practices, agencies must put the best interests of the client as their first concern and ensure client's needs are properly served.

Resources

The *Guidelines for Life Insurance Agencies* are available on the Insurance Council website.

If you have any questions about this Notice, please contact our Practice and Quality Assurance Team at 604-695-2008 or toll-free at 1-877-688-0321 ext. 3 or email practice@insurancecouncilofbc.com.