Insurance Council
BRITISH COLUMBIA

Practice Audit – Individual Life and/or Accident & Sickness Insurance Agent

The Insurance Council of BC Practice Audit Program aims to enhance public protection and licensee support through proactive reviews of licensees' practices to ensure they are meeting their requirements under legislation, and under the Insurance Council's Rules and Code of Conduct. The program works with licensees to identify and address potential issues before complaints are received by providing feedback and practice guidance. Based on information collected in this form, the Insurance Council may, at its discretion, request further information and/or supporting documentation from licensees.

This form is to be completed by the licensed individual Life and/or Accident & Sickness Agent. Please answer all the questions in this form and return the completed form by the due date as stated in the letter accompanying this audit questionnaire.

SAMPLE

Licensee Name:	
Licence Number:	

Licensee Activities

The licensee is responsible for all insurance activities as per Council Rule 7(6). This includes making sure all insurance activities are appropriate or appropriately supervised; there are sufficient procedures to facilitate compliance with the Insurance Council's requirements; and the public's interest is properly served. Section 7, Appendix A, and Appendix B of the Insurance Council Code of Conduct requires the licensee to put the best interests of the client as your first concern, as befits the role of a fiduciary.

1. Do you conduct your Life and Accident & Sickness Insurance activities full-time?

2. a) Do you hold insurance license(s) or registration(s) in any other jurisdictions?

b) If the answer to question 2. a) is YES, indicate where else you are registered or licensed to undertake insurance activities:

- ☐ Alberta
- ☐ Manitoba
- ☐ New Brunswick
- ☐ Newfoundland & Labrador
- ☐ Northwest Territories
- ☐ Nova Scotia
- ☐ Nunavut
- ☐ Ontario
- ☐ Prince Edward Island
- ☐ Quebec
- ☐ Saskatchewan
- ☐ Yukon
- ☐ Other: _____

3. a) What insurance products and/or services do you offer?

- ☐ Life – Individual
  - ☐ Term Life
  - ☐ Whole Life
  - ☐ Universal Life
  - ☐ Creditor or Loan products
  - ☐ Other: _____
- ☐ Life – Group
- ☐ Annuities
- ☐ Segregated Funds
- ☐ Accident & Sickness – Individual
  - ☐ Short term Disability
  - ☐ Long Term Disability
  - ☐ Critical Illnesses
  - ☐ Long term care
  - ☐ Benefits (health & dental, prescription drug)
  - ☐ Other: _____
- ☐ Accident & Sickness – Group
- ☐ Travel Insurance – Individual or Group
- ☐ Other insurance products or services offered: _____

_____

SAMPLE

b) Do you provide claims related adjudication, administration, support or similar services to clients and / or on behalf of insurers?
If you answered to question 3 b) is YES, please explain
c) Do you have delegated authority from an insurer which allows you to undertake and/or conduct insurance activities on their behalf, beyond your distribution or selling of insurance products to clients, such as having the authority to underwrite, manage or adjudicate claims, etc.?
If you answered to question 3 c) is YES, please explain

SAMPLE

4. a) Do you have other occupation(s), employment, or business dealings in addition to being a Life and/or Accident & Sickness Insurance Agent?
b) If the answer to question 4 a) is YES, have you disclosed your other occupation, employment, or other business dealings to your life insurer(s) or MGA(s)?
c) If the answer to question 4 b) is NO, please explain.
d) If the answer to question 4 a) is YES: ▪ Describe your other occupation(s), employment, business dealings or activities; ▪ Include how long you have been undertaking such other business dealings or activities; ▪ Identify all trade names you operate these activities under.
e) Insurance licensees are expected to abide by the Conflict of Interest Guidelines for Insurance Agents, Adjusters, and Salespersons (Appendix A) in the Insurance Council's Code of Conduct. Licensees have a responsibility to avoid conflicts of interest arising between themselves and their clients, insurance companies, or other principals. If the answer to question 4 a) is YES:

SAMPLE

- Describe the steps you take to identify and avoid or manage conflicts of interest.
- How do you disclose conflicts of interest?

5. a) Do you hold any other financial services licence(s) or registration(s)?

b) If the answer to question 5 a) is YES, identify your other financial services licence(s) or registration(s): *(Select all that apply)*

- ☐ Level 1 Salesperson or General Insurance Agent - Insurance Council of BC
- ☐ Canadian Investment Regulatory Organization (CIRO)
- ☐ Mortgage Broker/Agent – BC Financial Services Authority (BCFSA)
- ☐ Real Estate - BC Financial Services Authority (BCFSA)
- ☐ Other: _____

6. a) Do you offer financial advising, financial planning, or financial consulting services, or do you hold yourself out as a financial advisor, financial planner, or financial consultant?

SAMPLE

b) If the answer to question 6 a) is YES, identify the designations you hold *(Select all that apply):*

- ☐ I do not have a financial advising or financial planning designation
- ☐ Chartered Life Underwriter (CLU)
- ☐ Certified Financial Planner (CFP)
- ☐ Qualified Associate Financial Planner (QAFP)
- ☐ Registered Financial Planner (RFP)
- ☐ Chartered Financial Consultant (CH.F.C)
- ☐ Professional Financial Advisor (PFA)
- ☐ Financial Planner (F.PI.) - Institut Québécois de Planification Financière (IQPF)
- ☐ Other: _____

_____

c) If the answer to question 6 a) is YES, provide more information, including:

- What qualifies you to hold yourself out as a financial advisor, financial planner or financial consultant (per Insurance Council Notice ICN-02-001 Financial Planning)
- What disclosures about your financial planning, financial advising or financial consulting do you provide to insurance clients?

7. a) If you are a sole proprietor or hold an unaffiliated licence, how many employees or associates do you have working for you?

SAMPLE

b) Are all of your employees and/or associates licensed with the Insurance Council of BC?
c) If the answer to question 7 b) is NO, please explain. Include details such as: ▪ How many are not licensed, ▪ Why they are not licensed with Insurance Council, ▪ Their title and position, ▪ Description of what activities these individuals undertake on your behalf.
d) Are any associates or employees licensed for less than 2 years?
e) If the answer to question 7 d) is YES, how many of your associates or employees are licensed for less than 2 years?

8. How many insurers are you contracted with to sell insurance products in BC?

9. How many managing general agencies (MGA) are you authorized to represent and/or are contracted with to sell insurance products in BC?

SAMPLE

10. a) How many new insurance policies (life, disability, critical illness, segregated funds, universal life, etc.) did you write in the past fiscal or calendar year?
(Select only one answer below)

- ☐ No new policies
- ☐ Between 1 and 5 policies
- ☐ Between 6 and 14 policies
- ☐ Between 15 and 24 policies
- ☐ Between 25 and 49 policies
- ☐ Between 50 and 99 policies
- ☐ Over 100 policies

b) Further to question 10 a), if you placed no new policies in the past fiscal or calendar year, please explain.

c) Of the new policies you placed in the past fiscal or calendar year, how many were withdrawn, cancelled, or voided by the client?

d) Of the new policies you placed in the past fiscal or calendar year, how many were cancelled, voided or were conditionally bound but not effected or issued by the insurer?

SAMPLE

11. a) Do any of your clients utilize leveraging in the purchase of their life insurance policies?
b) If the answer to question 11 a) is YES, describe situations in which leveraging is used, how you assess suitability for the client, and what disclosures you provide to clients.

12. a) Insurance Council's August 23, 2023 News Article, DSC Reminder (insurancecouncilofbc.com) reminded life agents that Deferred Sales Charges (DSCs) in the sale of segregated funds became banned effective June 1, 2023. This article further reminded life agents of their obligations and responsibilities to clients in sales with upfront commissions. Describe how you assess the suitability of upfront commissions for the client and what disclosures you provide to clients in such situations.
b) In the past five (5) years how many policies included a deferred sales charge? (If you do not have the exact number, please include an approximate number.)

SAMPLE

13. a) Do you have any outstanding debt/charge back(s)/commission deficit owing to your agency, MGA(s), or insurer(s) relating to your insurance business?
b) If the answer to 13 a) is YES, please explain.

14. a) Do you offer services or insurance advice relating to *(Select all that apply):*
☐ Acting as a Power of Attorney Donation of life insurance policies ☐ Limited Partnerships ☐ Products sold by unauthorized insurers or non-Canadian insurers OR Non- Canadian dealers ☐ Tax shelters ☐ I do not offer services or insurance advice relating to the above.
b) If you offer any of the above: • describe your activities relating to these types of services and insurance advice: • how do you identify and manage any potential conflicts of interest?

SAMPLE

15. a) Do you have any referral arrangement(s) or agreement(s)?
b) If the answer to question 15 a) is YES, describe these, and include details about the parties involved including: ▪ Identify your relationship with these parties and describe your referral arrangement or agreement; ▪ Identify if these parties are licensed with Insurance Council; ▪ Whether they are paid as a flat fee or percentage; ▪ Whether the fee payment is contingent on the sale of a product; and ▪ How you disclose these arrangements and agreements to clients.

SAMPLE

Insurance Council
BRITISH COLUMBIA

Insurance Council Rules, Code of Conduct, Notices, communications

The Insurance Council Rules establish licence conditions and requirements for all licensees in addition to the requirements set out in the provincial *Financial Institutions Act* and other legislation. Council Rule 7(8) requires all licensees to comply with the Insurance Council's Code of Conduct, which defines and communicates standards of conduct for use by licensees in their practice of the business of insurance. Additional resources such as Notices and Bulletins, as well as appendices to the Code expand on many of the principles and requirements detailed in the Code.

All Insurance Council licensees are expected to abide by and stay up to date on the most current Insurance Council Rules, Code of Conduct, Notices, and communications, and be aware of their licensee responsibilities.

16. Describe the measures you have in place to ensure you are informed of and comply with Insurance Council Rules, Code of Conduct, Notices, and Guidelines, including but not limited to staying up to date with Insurance Council communications.

SAMPLE

17. Clients rely on the knowledge and advice of licensees. The Insurance Council Code of Conduct requires licensees to protect clients' interests and privacy; evaluate clients' needs; disclose all material information; and act with integrity, competence and the utmost good faith.

a) Outline the tools you use to determine the suitability of insurance products for clients, how you ensure clients understand any risks, and that your recommendations are consistent with the clients' objective.

Include examples of the tools utilized in your client transactions and for each of the different products you offer.

SAMPLE

b) Further to question 17 a) provide a sample copy of the disclosures you provide and use with clients, demonstrating compliance with the Financial Products Disclosure Regulation and Insurance Council Code of Conduct.

Please return it with this completed practice audit questionnaire.

18. As per Insurance Council Rule 7(1) and the Insurance Council Code of Conduct, a licensee must hold in strict confidence all information acquired in the course of the professional relationship concerning the personal and business affairs of a client, and must and must not divulge or use any such information other than for the purpose of that transaction or of a similar subsequent transaction between the licensee and the same client unless expressly authorized by the client or as required by law to do so.

    How do you comply with these confidentiality and privacy requirements?

SAMPLE

19. a) Do you have written policies or procedures governing client privacy?

b) If the answer to question 19 a) is a NO, please explain.

20. Insurance Council Rule 7(9) requires licensees keep books, records and other documents necessary for the proper recording of insurance transactions and related financial affairs.

Describe how you comply with this requirement including:

- Identifying the elements of a client file, such as what documents, records, materials are kept in client files;
- How you document communications and instructions from a client to ensure mutual understanding and provide a record of the transaction;
- How you conduct and document an adequate fact finding and assessment of a client's insurance needs, as well as any tools utilized to assess client needs and ensure products are suitable for the client.

SAMPLE

21. How are your books, documents, or records stored?

- ☐ Paper/hard copies
- ☐ Digitally
- ☐ Other: _____

_____

22. Describe how you store and secure client files:

- In each of your working locations and situations;
- Describe your practice if working remotely, in transit, or at multiple or shared locations.

SAMPLE

23. a) Insurance Council Notice ICN 17-004 Reminder of Licensee Responsibilities Related to Disclosure or Transfer of Client Information provides guidance on the matters of disclosure or transfer of client information, including ensuring a client's express consent has been obtained, the requirements involving disclosing, transferring, or receiving client information amongst agents or agencies, requirements when selling, acquiring, or transferring a book of business. Within the past five (5) years, have you sold or purchased, or attempted to sell or purchase a book of business?

b) If the answer to 23 a) is YES, provide more details including

- What disclosure(s) were provided to the clients and when during the transaction these were provided;
- How you managed and facilitated the transfer of any client information;
- How you complied with the requirements of *Personal Information Privacy Act* ("*PIPA*"); or
- If the purchase/sale did not proceed how clients' information was secured or destroyed.

SAMPLE

24. Insurance Council Notice ICN 12-003 Amendment to Insurance Contracts (Life Insurance Replacement) outlines the requirements when discussing or handling a potential insurance product replacement.
a) How many replacement policies have you facilitated in each of the past five (5) fiscal or calendar years?
b) Explain how you comply with the requirements of Insurance Council Notice ICN 12-003.

SAMPLE

25. Licensees must present themselves to the public ("hold themselves out") to the public in the way they are licensed and must be licensed in the way they are doing business. This includes the use of trade names and that all letterhead, business cards, signage, websites, advertising and marketing materials, including social media, etc., must properly reflect the name(s) shown on the licensee's licence.
a) Are all of your trade names reflected on your licence, and do your business cards, letterhead, signage, websites, email including signature(s), advertising, social media, etc., all reflect only the name(s) shown on your licence?
b) If the answer to question 25 a) is NO, please explain.

SAMPLE

26. The Insurance Council requires mandatory supervision for new life and/or accident & sickness agents. Insurance Council Notice ICN 19-004 Guidelines for Supervision of New Life and/or Accident & Sickness Agents outlines the responsibilities of new life and/or accident and sickness agents and their supervisors, in compliance with Council Rule 7(16.1).
a) Are you currently a supervisor for a life and/or accident & sickness agent or have you been delegated supervision over a life and/or accident & sickness agent?

b) If the answer to question 26 a) is YES, please provide details about your supervision activities, including how many individuals you supervise, where the supervisee is located in relation to your location, and their reporting or employment relationship to you.

SAMPLE

c) If the answer to question 26 a) is YES, describe how you supervise your supervisee(s) and how you satisfy the Supervisor Duties as outlined in the Guidelines for Supervision of New Life and/or Accident & Sickness Agents.
In your response, describe:

- What supervision related documents you use and how these are retained;
- How and what guidance you provide to supervisee(s);
- How you communicate with supervisee(s) and the frequency of your communication;
- Whether you delegate supervision and if you do, to whom you've delegated it and how you ensure the effectiveness of such delegated supervision;
- How you evaluate a supervisees' competence and performance including how you review their work and the frequency of that review;
- How you evaluate whether your supervision is adequate for each supervisee;
- How you determine that supervisee(s) has met their competency and licensing requirements before you recommend unsupervised licensing of the supervisee(s).

SAMPLE

27. a) If the answer to question 26 a) is Yes, do you use the Supervision Process Review Statement form as provided in the Guidelines for Supervision of New Life and/or Accident & Sickness Agents?
b) If the answer to 27 a) is No, please explain and include: ▪ A description of how you document your review of insurance related materials as used or prepared by supervisee(s) for a client, ▪ How you ensure and document that the insurance products, recommendations and materials are appropriate for the needs and circumstances of the client.

SAMPLE

28. The Insurance Council requires mandatory supervision for new life and/or accident & sickness agents. Insurance Council Notice ICN 19-004 Guidelines for Supervision of New Life and/or Accident & Sickness Agents outlines the responsibilities of new life and/or accident and sickness agents and their supervisors, in compliance with Council Rule 7(16.1).

a) Are you currently a New Life and/or A&S Agent who is under the mandatory supervision per Council Rule (16.1)?

b) Council Rule 7(16.1) states: Unless otherwise approved by Council, a new life and/or A&S agent must only conduct insurance activities under the supervision of a life agent supervisor.

Explain how you ensure that all insurance activities undertaken by you are done so, under the supervision of your life and/or A&S agent supervisor.

SAMPLE

c) Notice ICN-19-004 Guidelines for Supervision of New Life and/or A&S Agent outlines the responsibilities of new life and/or accident and sickness agents and their supervisors, in compliance with Rule 7(16.1).

Are you familiar with the new life and/or agent supervision requirements as outlined in this Notice?

d) If the answer to question 28 c) is NO, please explain.

SAMPLE

e) One requirement for ending a new life and/or A&S agent's supervision is that the new life and/or A&S agent's Supervisor recommend the new life and/or A&S agent for unsupervised licensing, including submitting Confirmation of Completion of the Supervision Period form. Section 4 of the confirmation form requires the supervisor to assess a supervised licensee's work and aptitudes, including confirming that they believe the new life and/or A&s agent complied with Council Rules and all regulatory requirements throughout the supervision period;

- has the knowledge and skills and has demonstrated the conduct and attitudes needed to undertake professional activities as an unsupervised life and/or A&S agent;
- Is able to handle files of a level of complexity corresponding to that usually assigned to individuals with a similar tenure of licensed experience;
- And that the supervised license's work was reviewed throughout the supervision of the period.

Describe the training, assessment, and supervision measures of your supervision, including how you and your supervisor work together towards preparing you for future unsupervised practice.

SAMPLE

29. Life insurance companies, brokers and agents must fulfill specific obligations as required by *the Proceeds of Crime (Money Laundering) and Terrorist Financing Act ("PCMLTFA")* and associated Regulations, to help combat money laundering and terrorist activity financing in Canada. These requirements include developing and maintaining a compliance program, a 'know your client' program, reporting transactions and keeping records as outlined by Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) and Insurance Council Duties under the Proceeds of Crime (Money Laundering) and *Terrorist Financing Act.*

Describe how you meet the *PCMLTFA* and associated Regulations and compliance reporting program requirements, specifically describe the following elements of your program:

a) Identify the name of your compliance officer and the position or title they hold within the agency or your practice. If they are not a party to your practice, explain the association and relationship;

b) Identify whether your policies and procedures are documented in written format, your process for ensuring the policies and procedures are up to date, and how you ensure employees, agents, or associates receive the necessary ongoing compliance training;

SAMPLE

c) Describe when and how you conduct the necessary risk assessments;
d) Describe your plan for reviewing and testing the effectiveness of your compliance program, how frequently the effectiveness review will be undertaken, and how the results will be instituted.

SAMPLE

30. Describe how you meet the 'Know Your Client' requirements of the *PCMLTFA* and associated Regulations. In your response, identify, specifically, how you verify the identity of persons and entities for each of the outlined activities and transactions, and how you carry out the required customer due diligence activities.

SAMPLE

31. The *PCMLTFA* and associated Regulations require that life insurance companies, brokers or agents submit reports to FINTRAC for the following: Suspicious Transaction Reports, Terrorist Property Reports, Large Cash Transaction Reports, Large Virtual Currency Transaction Reports, and comply with the 24-hour Rule for Large Cash Transaction Reports and Large Virtual Current Transaction Reports.
a) Describe your policy and practice for meeting these reporting requirements, including how you ensure suspicious transactions are screened for and identified.

SAMPLE

b) Since the guidance came into effect, have you reported any transactions that met the FINTRAC *PCMLTFA* and associated Regulations reporting requirements?

32. While licensees may offer to rebate a portion of a client's premium, Section 2 of the Financial Products Disclosure Regulation and section 79(1) of *the Financial Institutions Act* impose restrictions and limitations regarding the rebating of insurance premiums, and some insurer contracts prohibit rebating of insurance premiums. Insurance Council Practice Advisory Notice ICN 22-001 Rebating Guidelines and the Rebating Guidelines clarify the Insurance Council's interpretation of Section 79(1) and set out the requirements and expectations of licensees engaging in rebating in British Columbia.

a) During the fiscal or calendar years of 2021 to the current year did you offer to rebate or did you rebate insurance premiums to a client?

b) If the answer to 32 a) is YES, describe how you engage in rebating and how you satisfy the requirements and expectations as outlined in the Rebating Guidelines. In your response, provide more details, such as:

- How common it is for you to offer rebates;
- Describe some reasons you offer or provide rebates;
- How you calculate and determine the value of the rebate;
- Describe your practice around issuing rebates, ie, is the rebate paid as one Payment or repeated annually;
- How you communicate and address tax implications;
- What disclosures are provided to the client and the insurer.
- Describe how you document and keep accurate and detailed file notes.

SAMPLE

33. Insurance Council Rule 7(5) requires licensees to meet the requirements of the continuing education (CE) program. Insurance Council has updated its Continuing Education Program. The updated CE Program's Continuing Education Requirements and Guidelines are effective June 1, 2025.

    Describe how you will ensure that you meet your CE requirements for the current year. In your answer, be specific and provide details to demonstrate your understanding and compliance of the CE Program's Continuing Education Requirements and Guidelines, including providing details about the technical learning and courses you have completed or will complete and outline your plan for meeting your CE requirements by May 315st for the current year.

SAMPLE

34. Insurance Council Rule 7(3) requires licensees to provide notification of certain changes or decisions that are related to their insurance licence. These notifications may be regarding personal-related changes, business-related changes, or legal decisions. In the past 5 calendar years, have you:

    a) Been disciplined by any financial sector regulator, or any professional or occupational body?

If the answer to 34 a) is YES, please provide details:
b) Had a judgement rendered in relation to any insurance activities, fraud or breach of trust?
If the answer to question 34 b) is YES, please provide details:
c) Declared bankruptcy that you have not already disclosed to Insurance Council?
If the answer to question 34 c) is YES, please provide details:

SAMPLE

d) Been charged or convicted of any criminal offence or any offence under any law of any jurisdiction (excluding traffic offences resulting in monetary fines only)?
If the answer to question 34 d) is YES, please provide details:
e) Had your authority to represent an insurance agency, MGA, or insurer withdrawn by the insurance agency, MGA, or insurer?
If the answer to question 34 e) is YES, please provide details:

SAMPLE

f) Changed your name, including introducing new trade names, or changing your trade name, which you have not already disclosed to Insurance Council?
If the answer to question 34 f) is YES, please provide details:

35. As per Council 7(11), a licensee must maintain or be covered by E&O insurance which extends to all activities as a licensed insurance agent, salesperson or adjuster with a minimum of $1,000,000 per claim and a minimum aggregate limit of $2,000,000.
Attach a copy of your current E&O policy and email it with your completed practice audit questionnaire to: practice@insurancecouncilofbc.com

36. Comments:

SAMPLE

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SAMPLE

RETURN COMPLETED AUDIT TO:
practice@insurancecouncilofbc.com

DOCUMENTS TO BE INCLUDED WITH THIS COMPLETED AUDIT:

I confirm that I have attached the following documents with this audit:

- ☐ A sample copy of disclosures utilized with clients purchasing insurance products (as requested in question 17 b).
- ☐ Evidence of E&O insurance coverage (as requested in question 35)