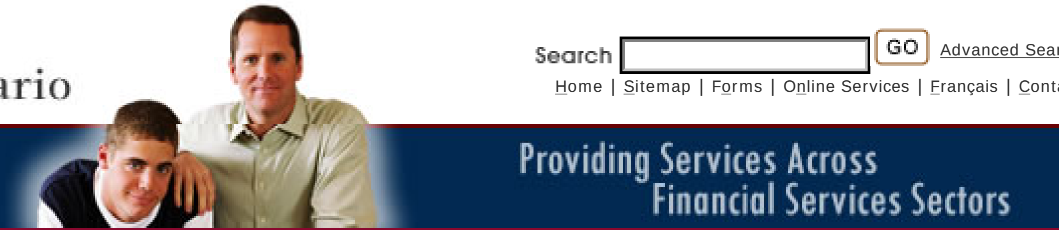

NOTE: The bulletins posted on this website are provided for historical reference. Information contained in the bulletins is accurate on the date published, but is subject to change and may have been superceded by a later bulletin. Users should verify the information before making decisions or acting upon it.

The bulletins posted may contain forms that are no longer current. For the current version of any FSCO form, please visit the forms area of this website.

Bulletin

No. LH-01/98

- Life & Health

Industry Protocol for Reporting Unsuitable Activities of Life Agents, Other Life Insurance - Related Information

To the attention of companies licensed to transact life insurance in the Province of Ontario.

The Ontario Insurance Commission (OIC) is pleased to see the initiative taken by life insurers to develop guidelines for reporting unsuitable activities of life insurance agents as well as screening these agents through the adoption of an Industry Protocol.

The Industry Protocol reflects an industry determination of the best practices in reporting the "duty of care" responsibilities. It was developed by a committee of insurers, organized by the Canadian Life & Health Insurance Association (CLHIA) in consultation with, and in response to, the OIC. We expect that this will be a dynamic document that will evolve over time.

A paraphrased version of the CLHIA's Industry Protocol, entitled "Industry Protocol for Reporting Unsuitable Activities of Life Agents", is attached for reference.

It reflects both the requirement to report and the immunity provided to persons who are reporting, in the spirit of good faith, alleged unsuitable activities of agents. The immunity provisions are included in Sections 116 and 446 of the *Insurance Act (the Act)*.

The OIC anticipates that the Industry Protocol will increase the efficiency and effectiveness of enforcement by providing clear, concise reporting. In the past, many situations reported did not relate to provable offences under *the Act*, and as a result, OIC resources were used in investigating them. The Industry Protocol highlights the distinction between suspicions and evidence by requiring that the insurer investigate the matter **prior to** reporting.

Since January 1, 1998, CLHIA members have adopted the Industry Protocol and a form for reporting unsuitable activities of life agents. For the benefit of other life insurers, we have reproduced the form, entitled "Reporting Form Regarding Life Agents", with the OIC logo (a specimen is attached), and have included it and the Industry Protocol on the OIC's Internet website.

To access them either English or French, please go to http://www.ontarioinsurance.com arrive at "Publications", click on "Bulletins", and proceed to the Bulletin entitled "Industry Protocol for reporting unsuitable activities of life agents, other life insurance-related information".

After a phasing-in period ending on January 31, 1998, insurers should use this form to record all complaints of agent unsuitability. The OIC encourages earlier adoption of both Industry Protocol and the form where possible.

'TERMINATION OF AGENT' FORM REISSUED

We are enclosing the"Notice of Termination of Agent Sponsorship" form (coded No. OIC-AA3) that is required by life insurers to advise the Superintendent of Insurance (the Superintendent) of the termination of an insurance agent's sponsorship. Ontario regulations require that this form be forwarded to the Superintendent within 30 days from the date of termination of a Level I life agent's sponsorship.

This new form replaces the existing"Notice of Termination of Agent" form because the introduction of the Industry Protocol for reporting unsuitable activities of agents renders the form redundant. The existing form has long been used to report the termination of an agent's sponsorship and the cause of termination. The new form is shorter and easier to complete since the reason for termination is not required.

Please note that this form is not to be filed for Level II agents since these agents are not sponsored by life insurers.

The new form is **effective immediately**. Please note that while we will not reject the old form, there is no point in continuing the use of it. If unsuitable activities of life agents are being reported, we will request the use of the form for reporting of unsuitable activities, as indicated above.

The form is accessible by downloading it from the OIC website at <http://www.ontarioinsurance.com>, by going to"Publications", clicking on "Bulletins", and proceeding to the form which is found in the "Protocol for reporting life agent unsuitability, other life insurance-related information" Bulletin; or Fax your request for the form available in diskette (WordPerfect 6.1 format) to:

Administrative Officer

Public Affairs Section, OIC

Fax: (416) 590-7070

REMINDERS

We are taking this opportunity to reiterate information that relates to the proper discharge of insurers' and life agents' responsibilities under the Act and its regulations, and to provide other information that will promote better communications among insurers, their agents and the OIC.

1. **Replacement of life insurance contracts, including an insurer's own**

   Insurers are being reminded that a disclosure form is required to be completed when a life insurance contract is being replaced. Section 1 of O. *Reg. 674*, R.R.O. 1990, as amended by O. *Reg. 761/94*, states, in part, that a replacement of a contract of life insurance means a transaction whereby life insurance is purchased in a single contract or in several related contracts by a person from **an insurer** whereby one or more contracts of the insurance are

   (a) rescinded, lapsed or surrendered,

   (b) changed to paid-up insurance or continued as extended term insurance or under automatic premium loan,

   (c) changed in any manner so as to effect a reduction in benefits,

   (d) changed so that cash values in excess of 50 per cent of the tabular cash value of the insurance contract are released, or

(e) subjected to borrowing of any policy loan values whether in a single loan or under a schedule of borrowing over a period of time whereby an amount in excess of 50 per cent of the tabular cash value is borrowed on one or more contracts of life insurance.

"An insurer", as outlined above, includes any insurer that is replacing the contract, even if the contract being replaced is one issued by the insurer doing the replacing.

Replacement does not include transactions where a contractual conversion privilege has been exercised, or where a contract is replaced by an annuity, or where a contract is replaced by group insurance.

The regulation sets out duties of the life agent as well as the duties of the insurer where replacement is intended. While the entire regulation is important, the OIC is drawing attention to the following points:

- The agent must complete the disclosure form and leave it with the life insurance applicant **prior to** accepting an application for insurance.
- The agent must send the completed disclosure form to the insurer whose contract is intended to be replaced, within three working days of the date of receiving the application.
- The insurer, in receiving an application which discloses an intended replacement, must ensure that it receives a **duly completed** disclosure form with the application.
- An insurer is required to provide such information as is necessary to other insurers or agents to complete the disclosure form **as soon as is practicable**.

The applicant for the replacement of the life insurance contract may withdraw his/her application within 20 days of receipt of the disclosure form and is entitled to a refund. Insurers and agents should refer to the appropriate regulation that describes the terms and exceptions regarding such refunds.

2. **Procedure for processing returned licence applications**

   The OIC normally issues agent licences at the end of five working days following the receipt of an application for a licence.

   For applications being resubmitted because they were returned to the originator for incompleteness of information or other reasons (for example, cheque for licence fee is missing), the OIC will issue the licences no sooner than five working days. In other words, resubmitted applications are not given priority over other applications that were received in sequence, and are dealt with within the normal five-day processing cycle.

To avoid delays in receiving their agent licences, agents must ensure that their application forms are filled in properly, and other requirements are met.

3. **'Time is running out' for Level I agents to move to Level II status**

   All individual life insurance agents must qualify for Level II status in order to remain licensed. For many agents, the deadline for meeting this legal requirement is fast approaching.

   From April 1, 1998, the first group of currently licensed Level I agents are required to qualify for Level II status by the expiry date of their current licence, provided they have been licensed for four years or more by the expiry date.

   There is no legal authority to waive the requirement or grant an extension to the period by which agents are required to attain Level II standing. Such requests will only create inefficiencies.

   To inform currently licensed life insurance agents of this impending development, the OIC had sent, over the past few years, personal and general notices to both life agents and insurers to explain this requirement. In addition, the requirement is printed as a reminder on the tear-off sheet attached to life agent licences.

   Information on qualifying for Level II status is available on the OIC's automated telephone system by dialling (416) 250-9209 from Toronto, and outside Toronto (1-800) 263-0541. For reference to the Level II requirements, agents can refer to the previously issued OIC Bulletin LH-2/97 dated June 4, 1997, which is available on OIC's Internet website.

4. **Life and general agents listed on OIC's Website**

   The OIC has posted on its Internet website a list of licensed agents. This electronic listing was established to help life agents, life insurers and the public to confirm information about agents' licences. The information includes an agent's licence number, the type of licence held, and the status of the licence. It is updated daily.

Grant S. Swanson

Acting Superintendent of Insurance

January 23, 1998

Attachments (PDF) :

- Industry Protocol for Reporting Unsuitable Activities of Life Agents, incorporating the "Reporting Form Regarding Life Agents".
- "Notice of Termination of Agent Sponsorship" form

To view PDF files, you will require Adobe Acrobat® Reader version 7.0. You can download this free software from Adobe's Web site.

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Financial Services Commission of Ontario
5160 Yonge Street
Toronto, ON M2N 6L9
1-800-668-0128
(416) 250-7250

Ontario Insurance Commission	Commission des assurances de l'Ontario

Reporting Form Regarding Life Agents

Life Agent's Name		Life Insurer Reporting
Life Insurance Agent's Licence Number	**Province**	**Date**

Evidence which suggest:

❑ Churning	❑ Lack of Competence	❑ Privacy Violation
❑ Coercion	❑ Licensing Violation	❑ Premium Rebating
❑ Conflict of Interest	❑ Misappropriation of Client Funds	❑ Replacements
❑ Forgery	❑ Misrepresentation/Disclosure	❑ Tied Selling
❑ Fraud	❑ Misrepresentation to Company	❑ Twisting
❑ Holding out Violation	❑ Money Laundering	❑ Untrustworthiness
❑ Inducements	❑ Poor Product - Client Suitability	❑ Other ______________________

Company has investigated:	❑ Yes
	❑ No
Life agent's contract has been terminated:	❑ Yes
	❑ No
Contact person of Life Insurer:	Phone: ( )

For use by Ontario Insurance Commission:

This report is submitted pursuant to the immunity provisions set out in applicable insurance regulation.

Ontario Insurance Commission	Commission des assurances de l'Ontario

Notice of Termination of Agent Sponsorship

To be used when notifying the Superintendent of Insurance of the termination of an insurance agent's sponsorship

Name of Agent	Effective date of termination
Licence Number	

Type of licence to be terminated (check only box per notice):

- ❑ Life Level I (including accident and sickness)
- ❑ Accident and Sickness
- ❑ General

Name of insurer terminating sponsorship	
Date	
Signatory Official	

Life Level II Agents: Level II agents are not sponsored. Please do not submit a termination when a Level II agent's contract has been cancelled.

Termination Date: The Superintendent must be notified within 30 days of termination of sponsorship. Insurance ct, Section 393(7).

Notice to Agent: Please provide a copy of this Notice form to any agent whose sponsorship is being terminated.

January 1998
OIC-AA3