



# Life Insurance Agent Compliance Examinations

- Assess Product Suitability Review Findings
- Compliance with the Insurance Act and other relevant legislation
  - Errors & Omissions Insurance and Continuing Education requirements
  - Statutory written disclosures
  - FINTRAC and Privacy Protection Laws
- One Day Offsite Examinations
  - Fact Finding Questions
  - Sampling of policyholder files to validate responses to questions
- Individual Findings Report within 30 days



# Areas of Review

- Duties of Life Insurance Agents – O. Reg 347/04
  - i.e. Disclosures
- Life Insurance Replacement Declaration (LIRD) requirements – O. Reg 674
- Individual Variable Insurance Contracts re: Segregated Funds – O. Reg 132/97
- Product Suitability – Best Practices
- Sample Policy Review



# Assess Product Suitability Review Findings

**60**  
**PER CENT**

OF ONTARIO LIFE INSURANCE AGENTS SAY THEY **"ALWAYS"** MAINTAIN RECORDS THAT SHOW THE REASONS FOR THE **RECOMMENDATIONS MADE** OR THE **ADVICE GIVEN**.

**23% ANSWERED**  
**"MOST OF THE TIME"**

**8% ANSWERED**  
**"SOMETIMES"**

**9% ANSWERED**  
**"RARELY", "NEVER" OR**  
**"FUTURE"**

**60**  
**PER CENT**

OF ONTARIO LIFE INSURANCE AGENTS SAY THEY **"ALWAYS"** COMPLETE A **NEEDS ASSESSMENT** BASED ON THE FACTS PROVIDED BY THE CLIENT.

**29% ANSWERED**  
**"MOST OF THE TIME"**

**8% ANSWERED**  
**"SOMETIMES"**

**3% ANSWERED**  
**"RARELY", "NEVER" OR**  
**"FUTURE"**



# Assess Product Suitability Review Findings

ONTARIO LIFE INSURANCE AGENTS WHO DISCLOSED  
POTENTIAL OR ACTUAL CONFLICTS OF INTEREST TO THEIR  
CLIENTS, **IN WRITING:**

**50.8** BUT **49.2**  
PER CENT DID PER CENT DID NOT

FSCO WILL BE **REVIEWING THIS MATTER** FURTHER.

**50**  
PER CENT

OF ONTARIO LIFE INSURANCE  
AGENTS SAY THEY **HAVE**  
**NEVER HAD A COMPLIANCE**  
**REVIEW** OR WERE NOT AWARE  
THAT ONE HAD BEEN DONE.

**30%** INDICATE A REVIEW  
WAS DONE "LESS THAN A  
YEAR AGO"

**12%** INDICATE A REVIEW  
WAS DONE "1-2 YEARS  
AGO"

**3.5%** INDICATE A REVIEW  
WAS DONE "2-3 YEARS  
AGO"

**5.1%** INDICATE A REVIEW  
WAS DONE "MORE THAN 3  
YEARS AGO"



# Life Insurance Agent Compliance Examination Findings

- As of September 5, MRB has conducted 79 Life Agent examinations
- Key findings to date are as follows:
  - Needs Assessment not documented (best practice) 26%
  - Lack of Letters of engagement (best practice) 15%
  - **Lack of Conflict of Interest Disclosure in writing (O. Reg. 347/04, s. 16.) 10%**
  - Lack of Policy and Procedures for FINTRAC 0.8%
  - Lack of Policy and Procedures for Privacy 0.6%



# Life Insurance Agent Compliance Examination Next Steps

- Phase One – April 1, 2015 to March 31, 2016
  - On-site Life Agent reviews to be conducted on a random and targeted selection sample
- After Phase One – life Insurance Agents
  - Communicate overall findings and FSCO's regulatory expectations going forward
  - Use information gathered about agent compliance to inform the development of FSCO's approach to assessing insurer distribution compliance systems and oversight programs (O. Reg. 347/04, s. 12)
  - On-site reviews to continue to be conducted on a random and targeted basis
    - Continue to assess voluntary adoption of best practices
    - Take regulatory action against Agents that fail to comply with the law (Part XVIII - Unfair or Deceptive Acts or Practices, Part XIX - Examination and Enforcement, O. Reg. 347/04)
    - On-going market intelligence gathering