

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO (“FSRA”)

NOTICE OF RULE UNDER THE *FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO ACT, 2016* (the “FSRA Act”)

**RULE 2025-001 – Life and Health Insurance Managing General Agents
(the “Proposed Rule”)**

January 28, 2025

Introduction

FSRA is strengthening the regulatory framework for Managing General Agents (“**MGA**”) who distribute life and/or accident and sickness (“life and health” or “**L&H**”) insurance products that will be issued by life insurers. If approved, the L&H MGA Rule (“**Proposed Rule**”) would build on the legislative framework in Ontario’s *Insurance Act* R.S.O 1990, c.1.8 (the “**Act**”) by prescribing:

1. Requirements for a L&H MGA licence and the circumstances in which an applicant is not suitable to be licensed,
2. Requirements for L&H MGA compliance systems that are reasonably designed to ensure that the licensee and each sub-managing general agent (“**sub-MGA**”) and agent associated with the licensee complies with this Act, the regulations, the Authority rules and the conditions of each licensee’s licence,
3. The powers, duties and eligibility criteria for designated compliance representatives each L&H MGA will be required to have,
4. Standards for the performance of regulated activities, and the roles and responsibilities of life insurers, L&H MGA, sub-MGA and L&H agents in the performance of the regulated activities,
5. Requirements for each insurer to maintain a compliance system reasonably designed to ensure that each L&H MGA associated with the insurer complies with this Act, the regulations, the Authority rules and the conditions of the L&H MGA’s licence, and
6. Transition matters for implementing Part XIV.1 of the Act, the amendments related to that Part, and the Proposed Rule.

As required by s. 22(1) of the FSRA Act, FSRA is publishing the Proposed Rule for comment on its website. Stakeholders can make written comments on the Proposed Rule within 60 days after the Proposed Rule’s publication. The consultation period will close on 03/31/2025. **FSRA will publish stakeholder comments on its website.**

For the text of the Proposed Rule, please see **Appendix A** to this Notice.

Background

A L&H MGA is an entity that facilitates the sale of L&H insurance by managing relationships with agents and, in some cases, relationships with other L&H MGAs known as sub-MGAs, for an insurer that is licensed to issue life insurance. The L&H MGA's activities include, but are not limited to, screening, training and monitoring agents.¹ In the past, insurers would conduct these activities directly. However, as the distribution model has evolved, intermediaries such as L&H MGAs have increasingly taken on these roles under contractual arrangements with insurers.

L&H MGAs, which typically contract with multiple insurers, are now the predominant distribution channel for individual L&H insurance products in Ontario. Close to two thirds of total new premium for individual L&H insurance is distributed through intermediary channels like L&H MGAs.² Despite this role, L&H MGAs previously did not have a specific licensing regime in Ontario, though many chose to be licensed as corporate or partnership life insurance agents.

Throughout 2021 and 2023,³ FSRA participated in and/or conducted four supervisory reviews related to L&H MGAs. FSRA's supervisory reports concluded that there exists real potential for consumer harm due to L&H MGAs inadequately screening, training, and/or monitoring agents who sell insurance products to Ontario consumers.

In November 2023, FSRA consulted on a proposed Life Insurance Agent & MGA Licensing Suitability Guidance. This draft Guidance outlined FSRA's interpretation of agent licensing suitability requirements under the Act and regulations, including requirements for those L&H MGAs who were licensed with FSRA as corporate or partnership agents. In response to the draft Guidance, many stakeholders called for

¹ MGAs in the L&H insurance sector are distinct and apart from MGAs in the Property and Casualty (P&C) sector, and perform different functions, despite industry using the same term. P&C MGAs are outside the scope of the Proposed Rule.

² Ministry of Finance, [Modernizing Financial Services - Life and Health Managing General Agent Regulatory Framework](#) citing 2022 premium data from the Canadian Life and Health Insurance Association in footnote 2.

³ Financial Services Regulatory Authority of Ontario, Insurer-MGA Relationship Review Report, (Toronto, 2021) <<https://www.fsrao.ca/media/14546/download>>.

Ontario, Financial Services Regulatory Authority of Ontario, *CCIR Cooperative MGA-focused Thematic Review – Consolidated Observations Report* (Toronto, 2022) <<https://www.fsrao.ca/media/14501/download>>.

Ontario, Financial Services Regulatory Authority of Ontario, Life Agent Thematic Examinations: Tiered-Recruitment Model MGAs, (Toronto, 2023) <<https://www.fsrao.ca/media/23851/download>>.

Ontario, Financial Services Regulatory Authority of Ontario, Observed Practices in the Distribution and Sale of Universal Life Insurance, (Toronto, 2023) <<https://www.fsrao.ca/media/23856/download>>.

updates to the legislative and regulatory framework to recognize the role of L&H MGAs. FSRA agrees this approach will be more effective than relying on guidance.

Since that time, FSRA has been working with the Ministry of Finance (“**MOF**”) to pursue potential updates to the legislative and regulatory framework to address the role of L&H MGAs. In July 2024, MOF consulted on proposed amendments to the Act. The proposed amendments were announced in the government’s [2024 Ontario Economic Outlook and Fiscal Review: Building Ontario for You](#) released on October 30, 2024 and included as Schedule 10 of the related [Bill 216 - Building Ontario For You Act \(Budget Measures\), 2024](#) (the “**Amendments**”). Bill 216 received royal assent on November 6, 2024.

These Amendments to the Act establish:

1. a licensing regime for MGAs who facilitate the sale of life and/or accident sickness insurance, and
2. requirements on such MGAs and insurers, including for
 - a. MGAs to
 - i. Establish and maintain a system that is reasonably designed to ensure that the licensee and each sub-MGA and agent that has an agreement with the licensee complies with this Act, the regulations, the Authority rules and the conditions of the licensee’s licence,⁴
 - ii. Designate a compliance representative,⁵ and
 - iii. Comply with prescribed standards of practice,⁶ and
 - b. Insurers that enter into an agreement with a L&H MGA to establish and maintain a system that is reasonably designed to ensure that the managing general agent complies with this Act, the regulations, the Authority rules and the conditions of the L&H MGA’s licence.⁷

These amendments will impact more than just the entities which the L&H sector has traditionally referred to as a “Managing General Agent.” Other entities such as Associate General Agents, National Accounts and Third-Party Administrators may also need a licence depending on whether they perform a “regulated activity” under s. 407.2 of the Act. For reference, a person or entity will need a L&H MGA licence if, pursuant to an agreement, they facilitate the sale of life or accident and sickness insurance by engaging in any of the following activities, or hold themselves out as doing so:

1. Recruiting agents or prospective agents,

⁴ 407.4 (7)

⁵ 407.4 (13)

⁶ 407.4 (6)

⁷ 407.10

2. Screening agents or prospective agents to confirm the agent is suitable to carry on business as an agent,
3. Providing training to agents,
4. Supervising or monitoring the activities of agents,
5. Entering into written agreements with agents who sell or solicit life insurance or accident and sickness insurance,
6. Recommending agents to insurers to sell or solicit life or accident and sickness insurance,
7. Transmitting an insurance application or a policy of insurance between an insurer licensed for classes of life or accident and sickness insurance and an agent, or
8. Such other activities and functions as may be prescribed by Authority rule.

FSRA is releasing the Proposed Rule for public consultation which builds on the legislative framework. The Proposed Rule prescribes additional detail for these requirements in a manner which aims to address the potential for consumer harm identified in the supervisory reviews, particularly in relation to recruiting, screening, training and monitoring agents.

Substance and Purpose of the Proposed Rule

The Proposed Rule, if approved, will strengthen the regulatory framework for L&H MGAs by building on the legislative framework in the Amendments to establish requirements and processes to reduce the potential for consumer harm.

In particular, the Proposed Rule targets the following outcomes:

1. **Fairness to Consumers:** Ensure that consumers are treated fairly and consistently and receiving advice from well-trained, and properly supervised agents;
2. **Enhanced Compliance:** Improved conduct of L&H MGAs and agents based on delineated roles and responsibilities and regulatory requirements for insurers using L&H MGAs; and
3. **Consistent Treatment for Similar Participants:** Consumers purchasing products from an agent contracted with a L&H MGA are afforded the same level of compliance.

The Proposed Rule aligns with FSRA's principles-based and outcomes-focused approach to financial services regulation. The Proposed Rule sets out required outcomes for compliance monitoring, screening, recruiting and training, which reflect the different types of agreements insurers may have with L&H MGAs and are proportional to the size, complexity, operations, and risk profile of the insurers and L&H MGAs.

In achieving these outcomes, FSRA seeks to minimize disruptions to consumers, targeting continued service and advice within the L&H MGA distribution channel, by allowing industry flexibility to comply with the Proposed Rule and avoid significant

disruptions to existing distribution agreements between insurers, L&H MGAs and sub-MGAs.

In accordance with national and international standards,⁸ the Proposed Rule results in insurers remaining ultimately responsible for consumer outcomes, regardless of distribution channel. The Proposed Rule achieves this by requiring insurers' compliance systems to be reasonably designed to achieve certain outcomes. Under the Proposed Rule, insurers will be expected to carry out effective risk-based monitoring and oversight of the L&H MGAs with whom they are associated. While L&H MGAs may monitor agents, for instance, insurers will be responsible for compliance systems that are reasonably designed to ensure this monitoring results in agents who are suitable and complying with applicable insurance laws.

FSRA has included a section in the Proposed Rule which details how factors, such as an agent not complying with insurance law, may be a shared responsibility of both an insurer and a L&H MGA, and could be used as evidence in assessing whether the insurer, L&H MGA or both have reasonably designed compliance systems as required in the Proposed Rule.

The Proposed Rule's requirements for insurers' and L&H MGAs' compliance systems and new standards of practice would protect consumers by ensuring they have access to educated and professional agents who are properly screened, trained and monitored to give fair advice, offer suitable products, and provide pertinent information for consumers to make informed decisions. This includes requirements for insurers and L&H MGAs to have a client service continuity plan in place. This is a plan for when a L&H MGA is no longer able to monitor agents or sub-MGAs, such as where the L&H MGA loses its licence, so that clients can continue to receive service and advice from agents who are monitored by a compliance system that meets the requirements of the Proposed Rule.

Additional MGA Licensed Activities

Under the legislative Amendments, FSRA will have authority to prescribe additional activities and functions that determine when someone is acting as a L&H MGA in Ontario. Some of the entities that perform MGA licensed activities under s. 407.2 of the Amendments also perform other activities that may be regulated and are typically performed by insurers. For example, these entities may also enroll customers in group insurance or process insurance claims, but these activities are not listed in the L&H MGA licensed activity under s. 407.2.

At this time, FSRA is focusing on the activities related to potential consumer harms identified in its supervisory reviews. These activities revolved around recruiting,

⁸ See International Association of Insurance Supervisors, Insurance Core Principle 19, and Canadian Council of Insurance Regulators (CCIR) and Canadian Insurance Services Regulatory Organizations (CISRO) Conduct of Insurance Business and Fair Treatment of Customers Guidance.

screening, training and monitoring agents and prospective agents. FSRA expanded the list of activities regulated under s. 407.2 to include not just agents but also prospective agents to better address potential harms relating to recruiting, training and screening prospective agents, identified as “recruits” in the supervisory reviews.⁹ FSRA is not expanding the list of prescribed activities further at this time.

Interpretation Guidance for the Proposed Rule.

FSRA is considering developing a companion interpretation guidance to provide additional clarity on the Proposed Rule to assist the sector with understanding how to comply with the Proposed Rule. While the principles-based, outcomes-focused and proportional approach in the Proposed Rule provides flexibility to industry, the L&H sector may benefit from additional guidance on how to achieve the required outcomes. For example, guidance could elaborate on specific conduct or circumstances that may impact an entity’s suitability to be licensed, such as criminal charges or insolvencies.

FSRA plans to use the feedback and comments received during the consultation process to help draft potential guidance. FSRA therefore encourages stakeholders to identify and comment on parts of the Proposed Rule for which further guidance could benefit the insurance sector.

Summary of the Proposed Rule

Section 1: Interpretation

Section 1 defines certain terms used in the Proposed Rule, such as “MGA licensed activities.” In addition to the MGA licensed activities listed in s. 407.2 of the Amendments, this section expands MGA licensed activities to include screening, training and monitoring prospective agents who are not yet licenced. Note that s. 407.2 already specifies that MGA licensed activities include screening, training and monitoring licensed agents, and gives FSRA the authority to add activities to the list.

Section 1 also introduces the concept of insurers, L&H MGAs, sub-MGAs and agents being “associated” with one another. Certain requirements under the Proposed Rule will create duties for insurers with respect to L&H MGAs that are associated with them, for instance, or for L&H MGAs with respect to agents that are associated with them.

Section 1 provides that everyone under an insurer is “associated” with the insurer and everyone under a L&H MGA is “associated” with the L&H MGA, even if there is no direct contract between the top entity and the other entities or individuals. For example, a L&H MGA is associated with an agent if the L&H MGA, or any sub-MGA directly or indirectly

⁹ The *CCIR Cooperative MGA-focused Thematic Review – Consolidated Observations Report* refers to “recruit” in note 5 as “an unlicensed individual who applies to contract with/be employed by the MGA and is in the process of becoming a licensed agent. Recruit is also referred to as candidate, student, trainee, applicant, or associate.”

under the L&H MGA, employs, contracts with or otherwise authorizes the agent to sell insurance that is covered by this Proposed Rule. Similarly, an insurer is associated with an agent if (1) the agent is associated with a L&H MGA (including a sub-MGA) that is associated with the insurer and (2) the agent is authorized to sell or solicit insurance that will be issued by the insurer.

Section 1 also notes that the obligations under the Proposed Rule will apply both to licensed MGAs and unlicensed people who perform MGA licensed activities, even though this unlicensed activity contravenes the Act.

Finally, section 1 explains how the word “material” is used in the Proposed Rule (both with respect to material changes to a L&H MGA’s business, and with respect to material non-compliance with laws) and provides clarity around what constitutes “sufficient information” to assess whether someone is suitable to be licensed as an agent.

As noted in section 18 (Transition), section 1 of the Rule will take effect immediately when the Rule comes into force.

Section 2: Application

Section 2 clarifies the Proposed Rule will only apply to:

- insurers that are licensed for the class of life insurance;
- life and accident and sickness insurance issued by these insurers;
- entities who perform specified MGA licensed activities regarding this insurance for these insurers (whether properly licensed or unlicensed);
- individuals who act as the designated compliance representative for a L&H MGA; and
- agents associated with those entities.

This section of the Rule will take effect immediately when the Rule comes into force.

Section 3: Managing General Agents – Licensing: Eligibility Criteria

Section 3 sets out the criteria an entity must meet to be eligible to apply for a L&H MGA licence: the applicant is suitable, has the required insurance and/or a surety bond, has an Ontario address for service, has a designated compliance representative as described in the Proposed Rule, and the designated compliance representative attests the applicant has a compliance system as described in the Proposed Rule.

Section 3 will take effect when the Proposed Rule comes into force, so applicants will immediately be able to apply for managing general agent licences. However, as explained below, (1) licences will not take effect until the end of the transition period, and (2) if an applicant applies for a licence earlier than that date, the applicant will only need to show it has developed and documented the required compliance system, not that the system has been put into effect.

Individuals are not eligible to apply for a L&H MGA licence; an individual will only be allowed to perform MGA licensed activities as an employee of a licensed L&H MGA or if the individual is a partner in a partnership that is licensed as an MGA. Please see section 18, below, for details on the transition for this requirement.

Section 4: Managing General Agents – Licensing: Suitability

Section 4 explains how FSRA will assess whether an entity is suitable to carry on business as a L&H MGA and, at a high level, the factors to consider when assessing whether the entity is suitable. These include whether there are reasonable grounds to believe the entity is financially sound and will carry on business honestly, with integrity, and in compliance with applicable law. Additional relevant factors are found in section 10, as described below.

This section also describes whose behaviour to consider when assessing whether an entity is suitable to be a L&H MGA. This assessment will include consideration of the applicant's past behaviour, its designated compliance representative, its directors, officers, shareholders (where the entity is a company) and partners (where the entity is a partnership). Past conduct of employees, agents, contractors, associated sub-MGAs, and anyone who may have a beneficial interest in, exercise control over or provide financing to the applicant may also be relevant.

Section 4 will take effect when the Proposed Rule comes into force. However, a person carrying on MGA licensed activities for a life insurer will not need to comply with these requirements immediately. Each person must meet these requirements on the day the person applies for a licence. In addition, the transition provisions will require each person to apply for a licence at least 6 months before the end of the transition period (the "Licence Application Deadline") or else stop conducting MGA licensed activities on the Licence Application Deadline. Therefore, a person who is performing MGA licensed activities will need to comply with section 4 by that date.

Section 5: Managing General Agents – Licensing: Expiry and Renewal

A L&H MGA licence will expire on the date specified on the licence, which may be up to three years after the licence takes effect. If no date is specified, the licence will expire two years after it is issued, unless the L&H MGA also holds an agent's licence for life or accident and sickness insurance. In that case, the L&H MGA licence will be in effect for at least one year and, after that, the L&H MGA licence will expire when the agent licence ends. This approach will simplify applications for renewals where one entity holds both types of licence.

The provisions of the Proposed Rule that would allow FSRA to refuse to issue a licence also apply to renewals.

This section will take effect when the Proposed Rule comes into effect.

Section 6: Managing General Agents – Designated Compliance Representatives

Each L&H MGA must have a designated compliance representative who is responsible for overseeing the L&H MGA's compliance system. This person must act honestly and with integrity and must be an officer of the L&H MGA, or a partner if the L&H MGA is a partnership. The designated compliance representative must have the knowledge, experience, character and authority to ensure the L&H MGA keeps an adequate, up-to-date compliance system and complies with applicable laws. The designated compliance representative must maintain operational independence from sales functions and cannot be paid any amount based directly on the sales made by the L&H MGA, by any associated sub-MGA or by any associated agent.

The requirements under section 6 will take effect on the Licence Application Deadline. In addition, if an applicant applies for a licence earlier than that, it will need to have a designated compliance representative who meets the requirements of section 6 on the date of the application.

Section 7: Managing General Agents – Standards of Practice – Insurance and Surety

Section 7 specifies that L&H MGAs must maintain general liability insurance and either a surety bond or errors and omissions insurance in a form approved by FSRA and in a reasonable amount, based on the size, complexity, operations and risk profile of the L&H MGA, any associated sub-MGAs and the associated agents.

The requirements under section 7 will take effect on the Licence Application Deadline. In addition, if an applicant applies for a licence earlier than that, it will need to have the required insurance and/or surety starting on the date of the application.

Section 8: Insurers – Compliance System

Each insurer that authorizes L&H MGAs to perform specified MGA licensed activities will be required to have a compliance system reasonably designed to achieve the outcomes listed in the Proposed Rule. These outcomes include:

- the L&H MGAs and the agents associated with each insurer will comply with applicable insurance law and failures will be promptly fixed if the non-compliance is likely to lead to harm or if provides reasonable grounds to believe any associated agents or L&H MGAs are unsuitable
- the insurer (or an MGA acting on its behalf) will promptly report to FSRA any reasonable grounds to believe a L&H MGA or agent is unsuitable
 - to the extent an insurer relies on the L&H MGA's report, it is responsible for its accuracy and completeness
- if a L&H MGA is no longer associated with the insurer, the customers who were receiving service from agents associated with that L&H MGA will continue to receive service from agents who are properly monitored, and
- the insurer will periodically assess the effectiveness of its compliance system and update it as required.

In designing and implementing its compliance system, an insurer may rely on the compliance systems of its associated L&H MGAs, where reasonable, if the insurer has sufficient controls in place. This should reduce or eliminate duplication of effort.

Section 8 will take effect at the end of the transition period.

Section 9: Managing General Agents – Compliance System

Each L&H MGA will be required to have a compliance system reasonably designed to achieve specified outcomes, including:

- the L&H MGA, associated sub-MGAs, associated agents and any person acting on behalf of the L&H MGA will comply with applicable insurance laws
- the L&H MGA will monitor the sub-MGAs associated with it and assess, on an ongoing basis, whether they are suitable to carry on business as sub-MGAs,
 - this includes having processes to be made aware of relevant changes to a sub-MGA's business and non-compliance with laws
- the L&H MGA will monitor the agents associated with it and the prospective agents employed by or under contract with it to ensure they comply with relevant laws
- non-compliance by these sub-MGAs, agents and prospective agents will be promptly fixed if the non-compliance is likely to lead to harm or provides reasonable grounds to believe any associated agents or L&H MGAs are unsuitable
- the MGA will promptly report to FSRA and any affected insurers any reasonable grounds to believe such a sub-MGA or agent is unsuitable to be licensed, or that such a prospective agent has acted as an agent without a licence
 - the MGA does not need to report to FSRA if an insurer makes the required report
- the L&H MGA will follow a reasonably designed assessment process to determine, at least once a year, whether each associated sub-MGA under it is complying with insurance law,
- if a sub-MGA is no longer associated with the insurer, the customers who were receiving service from agents associated with that sub-MGA will continue to receive service from agents who are properly monitored, and
- the L&H MGA will periodically assess the effectiveness of its compliance system and update it as required.

Section 9 will take effect at the end of the transition period. However, as noted above, to apply for a managing general agent's licence earlier than that, the applicant will need to have designed and documented (but not implemented) a compliance system that meets the requirements under section 9.

Section 10: Shared Responsibility for Outcomes

Section 10 introduces the concept of proportionality and indicates that where the Proposed Rule requires a system or process to be “reasonably designed”, this means reasonably designed and resourced taking into account the size, complexity, operations and risk profile of the relevant industry participants.

This section clarifies that although an insurer will always be ultimately responsible for compliance in its distribution channels, where the insurer works with L&H MGAs the responsibility for achieving appropriate outcomes will be shared. Section 10 sets out factors FSRA may consider in assessing whether an insurer’s compliance system, or an MGA’s compliance system, is reasonably designed to achieve the outcomes required under the Proposed Rule.

In particular, subsection 10(5) notes that the same facts may be relevant both when assessing a MGA’s compliance system and when assessing the system of an insurer associated with the MGA. For example, an unaddressed pattern of issues with the conduct of agents associated with the MGA may suggest issues with both compliance systems.

The part of this section that addresses MGAs’ compliance systems will take effect on the Licence Application Deadline (i.e., 6 months before the end of the transition period), and sooner with respect to MGAs that apply for licences earlier. The remainder of section 10 will take effect at the end of the transition period.

Section 11: Recruiting Agents – Managing General Agents – Standards of Practice

Each L&H MGA will be required to maintain a system reasonably designed to address conflicts of interest associated with its recruiting process, including conflicts associated with compensation. This system will be required at the end of the transition period.

Section 12: Screening Agents – Insurers

Each insurer will be required to maintain a process reasonably designed to ensure no agent or prospective agent associated with the insurer will perform activities that require an agent’s licence until

- the insurer has:
 - reviewed enough information to assess whether the person is suitable to be an agent
 - concluded the person is suitable, and
 - authorized them to sell the relevant insurance, and
- the person has:
 - obtained the relevant licence, and
 - completed required training.

The insurer may rely on information gathered by a L&H MGA for the purpose of screening prospective agents if the insurer has controls in place reasonably designed to ensure the information is accurate and sufficient. The insurer must make the final decision about whether the person is suitable.

These requirements will take effect at the end of the transition period.

Section 13: Screening Agents – Managing General Agent Standards of Practice

Each L&H MGA that performs any duties regarding screening for an insurer will maintain a process reasonably designed to ensure the L&H MGA acts competently, honestly, with integrity and in compliance with applicable insurance law regarding screening. The L&H MGA will provide the insurer with all information it gathers regarding whether a person is suitable to be an agent and will only make a recommendation about suitability after reviewing sufficient information to complete this assessment.

These requirements will take effect at the end of the transition period.

Section 14: Training Agents – Insurers

An insurer can rely on a L&H MGA to providing training required under the Proposed Rule, if the insurer meets the conditions set out in the Proposed Rule.

Each insurer must have a training system reasonably designed to ensure that:

- all training is clear, accurate, not misleading, and supports the outcomes under the Proposed Rule,
- prospective agents associated with the insurer understand what activities require an agent's licence and the steps they must take before performing such activities with respect to the insurer's insurance,
- where the insurer relies on a L&H MGA to provide training, the L&H MGA provides the agreed-upon training in compliance with applicable insurance law,
- the insurer will review any training that mentions its insurance for accuracy before the L&H MGA uses it,
- agents associated with the insurer understand the insurer's insurance, the insurance market, how to make product recommendations that meet consumer needs, how to clearly and accurately sell insurance without misleading customers, and how to comply with insurance law that applies to their duties, and
- associated agents maintain the required knowledge through continuing education.

These requirements will take effect at the end of the transition period.

Section 15: Training Agents – Managing General Agent Standards of Practice

Each L&H MGA that trains agents or prospective agents must have a training system reasonably designed to ensure that:

- all training is clear, accurate, not misleading, consistent with the outcomes in the Proposed Rule and, to the extent the L&H MGA has agreed, achieves the outcomes insurers are required to achieve under the Proposed Rule,
- prospective agents associated with the L&H MGA understand what activities require an agent's licence and the steps they must take before performing such activities,
- agents understand how to clearly and accurately sell insurance without misleading, and understand what training they must complete, and
- the L&H MGA will obtain each insurer's advance approval for any training material that mentions the insurer's insurance.

These requirements will take effect at the end of the transition period.

Section 16: Agents' Obligations

Each agent who is associated with a L&H MGA will need to complete the training required under this Rule. The agent will need to avoid or properly manage certain conflicts of interest. Agents will be required to provide insurers and L&H MGAs with the information they need to monitor the agents' compliance with applicable insurance law. Note that agents will not be required to give insurers information about sales for other insurers.

These requirements will take effect at the end of the transition period.

Section 17: Reporting Obligations

Section 17 sets out duties of insurers, L&H MGAs and sub-MGAs to share information to enable each to ensure relevant L&H MGAs, sub-MGAs, and agents have complied with applicable insurance laws.

These requirements will take effect at the end of the transition period.

Section 18: Transitional Matters

Section 18 sets out the transition rules for both the elements of the Proposed Rule and for the Amendments to the Act. The description of each section of the Proposed Rule, above, explains the transition for that provision.

With respect to the Amendments to the Act:

- All entities carrying on MGA licensed activities will be required to apply for licences no later than the Licence Application Deadline (i.e., 6 months before the end of the transition period);

- After the Licence Application Deadline, if an entity has not applied, the provisions of the Act prohibiting acting as an MGA without a licence will apply to them;
- If an entity applies for a MGA's licence by the Licence Application Deadline, the entity will be allowed to continue operating without a licence until the end of the transition period, unless the application is rejected or withdrawn before that date;
 - This approach will allow FSRA at least six months to process the applications.
- An individual will be allowed to carry on the business of a managing general until the Licence Application Deadline. After that date, an individual will only be allowed to carry on the business of a managing general agent if:
 - The individual is an employee of a person or entity, or a partner in a partnership, that is a licensed L&H MGA, or
 - From the Licence Application Deadline to the end of the transition period, the individual is an employee of a person or entity, or a partner in a partnership, that has applied for an MGA's licence that has not been withdrawn or rejected, as described above.

Coming into Force

The Proposed Rule will come into force on the day Part XIV.1 of the Act takes effect, or 15 days after the Minister of Finance approves the Proposed Rule, whichever comes later.

Authority for the Proposed Amendment

Subsection 21(1) of the FSRA Act allows FSRA to make rules in respect of any matter over which a statute provides FSRA with rule-making authority. The Amendments to the Act will, if proclaimed in force, provide FSRA with the power to make rules on the following matters.

Paragraph 29.1 under subsection 121.0.1(1) will give FSRA the authority to make rules in respect of anything that is required or permitted to be prescribed or done in accordance with FSRA Rules under new Part XIV.1 of the Act (i.e., Managing General Agents – Life Insurance and Accident and Sickness Insurance).

Section 407.2 will describe the regulated activities performed by MGAs and paragraph 8 of that section will specify that these activities include “[s]uch other activities and functions as may be prescribed by Authority Rule.” The Proposed Rule will, as noted above, expand these activities to include supervising, training and monitoring the activities of prospective agents.

Paragraph 29.2 under subsection 121.0.1(1) will give FSRA the power to make rules that establish standards for the activities regulated under 407.2, including establishing roles and responsibilities of insurers, MGAs, sub-MGAs and agents with respect to these activities

Subsection 121.0.1(4.1) will give FSRA the authority to make rules with respect to MGA licences and 121.0.1(4.2) will grant rule-making authority with respect to transitional rules, including transitional rules in connection with the implementation of the Amendments to the Act.

Subsection 407.4(6) will require L&H MGAs to comply with standards of practice prescribed by FSRA rules.

Subsection 407.4(7) will require each L&H MGA to maintain a compliance system, and subsection 407.4(9) requires the compliance system to meet “such requirements as are prescribed” by FSRA rules. Under subsection 407.4(11), L&H MGAs will be required to meet reporting requirements with respect to these systems as required under FSRA rules.

Subsection 407.4(13) will require each L&H MGA to have a designated compliance representative. According to subsection 407.4(14), an individual will need to satisfy the criteria under a FSRA rule to be eligible to be this representative, and according to 407.4(13), this person will be required to carry out their powers and duties as prescribed by FSRA rule.

Subsection 407.6(1) allows FSRA to consider grounds prescribed in a FSRA rule when assessing whether an applicant is suitable to be licensed as a L&H MGA. Subsection 407.6(2) says the licence expires at such times as the FSRA rules provide, unless earlier revoked or suspended.

Finally, the Amendments will give FSRA the authority to make rules about insurers’ compliance systems. Subsection 407.10(1) will require every insurer that enters into an agreement with a L&H MGA to establish a compliance system. Subsection 407.10(3) will require this compliance system to meet the requirements set out in FSRA rules and 407.10(4) will require the insurer to meet reporting requirements with respect to its compliance system as prescribed by such rules.

Unpublished material

In making the Proposed Rule, FSRA has relied on stakeholder submissions provided to the MOF in response to the MOF’s consultation on Proposed Life and Health Managing General Agent Legislative Framework in Ontario.

Otherwise, FSRA has not relied on any significant unpublished report, decisions or other written materials, other than internal reports prepared by FSRA staff for FSRA management.

Alternatives Considered

1) Prescribe Detailed Processes in the Proposed Rule

FSRA considered whether the Proposed Rule should be more prescriptive, such as requiring specific processes or compliance resources to achieve the identified outcomes.

However, there are a wide range of entities who would be subject to the requirement to hold a L&H MGA licence, including intermediaries that the L&H sector refers to as National Accounts, Associate General Agents and some Third-Party Administrators. These entities range in size, complexity, operations, and risk profile. Their agreements with insurers or other L&H MGAs will vary depending on the terms of agreement and the role the intermediary is expected to play in the overall distribution of L&H insurance products, which may be different depending on whether the entity is dealing with individual or group insurance. Given this wide variance, requiring specific processes for recruiting, screening, training and monitoring agents may result in significant changes to some of these existing arrangements without clear evidence that the specific processes are most likely to achieve the desired outcomes.

Instead, the Proposed Rule identifies required outcomes of compliance systems and screening, recruiting and training activities. This enables consistent consumer outcomes across all L&H MGA distribution channels in Ontario, while providing insurers and L&H MGAs flexibility in how they structure their processes and business agreements to achieve the required outcomes.

2) Other Standards of Practice

The Proposed Rule does not fully cover topics which may appear in some insurer-MGA contracts, and which could be created into a “standard of practice.” For example, the Proposed Rule could include standards for cyber insurance.

Given contractual terms are set based on the needs of parties, it is not immediately clear that terms from some insurer-MGA contracts should apply for all L&H MGAs caught by the regulatory framework. A specific contractual term may not be relevant for one L&H MGA’s business, or the insurer-MGA contract may have a variable standard, depending on the size, complexity, operations, and risk profile of that distribution channel. Without more evidence regarding the specifics of these elements, FSRA has

focused the Proposed Rule on setting standards relating to issues identified by the supervisory reviews: recruiting, screening, training and monitoring agents.

If stakeholders believe the standards of practice should cover additional topics or regulated activities under s. 407.2, FSRA requests that stakeholders provide specific details on (1) the topics, (2) what standard should apply in each case, (3) how this would help prevent consumer harm, and (4) to whom the standard should apply.

Anticipated Cost and Benefits

The Proposed Rule addresses changes in an evolving industry and incorporates feedback received from regulated sectors.

Quantitative and Qualitative Benefits

The Proposed Rule should result in consumers receiving advice from insurance agents who are adequately trained and monitored; the consumers will thereby be less likely to purchase unsuitable products that may lead to a consumer's harm. As part of the *Life Agent Thematic Examinations: Tiered Recruitment Model MGAs* review, FSRA found 50% of the examined 130 life agents working for three L&H MGAs that use a tiered recruitment model had contravened the *Insurance Act*. FSRA anticipates the Proposed Rule will reduce the number of agents who contravene the Act.

FSRA also anticipates the Proposed Rule will reduce costs by creating greater efficiencies within the sector. Currently, L&H MGAs who contract with multiple insurers may experience significant variance in the standards that different insurers contractually require from the L&H MGA when recruiting, screening, training and monitoring agents. While FSRA is not prescribing specific processes, the Proposed Rule will result in the life insurers and L&H MGAs in Ontario reasonably designing systems or processes to achieve the same required outcomes for recruiting, screening, training and monitoring agents.

Another benefit of the Proposed Rule is to ensure a level playing field for all entities who facilitate the sale of life or accident and sickness insurance for life insurers by recruiting, screening, training or monitoring agents or prospective agents. The licensing framework will enable FSRA to act as gatekeeper in issuing and renewing licenses for only those entities acting as L&H MGAs who meet the common, minimum criteria required to be licensed and comply with the required standards of practice for recruiting, screening, training and monitoring agents. As the licensing framework applies for all intermediaries performing the same activities, this will protect consumers by raising the standards of conduct for every entity who performs these activities to a minimum threshold.

Quantitative and Qualitative Costs

FSRA recognizes that insurers and L&H MGAs will incur costs when implementing the proposed requirements.

Once the legislative Amendments and Proposed Rule come into effect, entities who wish to continue carrying on business as L&H MGAs in Ontario will need to apply for a licence. When looking at other Canadian jurisdictions with a life and/or accident and sickness licence for MGAs, FSRA has identified approximately 40 entities whose home office resides in Ontario. As such, FSRA anticipates at least 40 entities as well as any extra-provincial MGAs operating in Ontario will need to apply for a L&H MGA licence, though the actual number is likely to be much higher looking at the total number of MGAs licenced as L&H MGAs in other jurisdictions.

FSRA anticipates some L&H MGAs will also incur costs to comply with the new requirements in the Proposed Rule, to the degree the L&H MGAs are not currently meeting the requirements. This will likely involve a greater amount of liability coverage, establishing or expanding a compliance system to cover sub-MGAs, agents and prospective agents, and having in place a designated compliance representative that has appropriate knowledge, experience, character and authority to fulfill their role of overseeing the L&H MGA's compliance system. There may be particular impact to L&H MGAs who, directly or indirectly, are actively recruiting a large number of prospective agents, as these L&H MGAs would need to have a compliance system reasonably designed to monitor their prospective agents.

The main costs for insurers will include legal costs associated with updating their agreements with L&H MGAs, implementing enhanced compliance oversight to achieve the required outcomes, and the cost of implementing reporting mechanisms. These costs will be incurred only to the extent that certain insurers are not currently meeting the requirements set out in the Proposed Rule.

Over the longer term, both insurers and L&H MGAs are expected to benefit from a regulatory regime that ensures a level playing field with respect to compliance obligations and standards of practice for regulated activities. By ensuring consistency of supervision, FSRA will have enhanced ability to address agent suitability issues through multiple points of oversight accountability, including insurers and L&H MGAs. Overall, the L&H insurance industry should benefit from having agents that are better able to make sustainable sales that are consistently based on a more rigorous approach to understanding and addressing consumer needs.

Currently, FSRA understands the L&H MGA distribution channel accounts for approximately two thirds of direct written premium of new individual L&H sales in Canada. FSRA believes the L&H MGA channel continues to have a very important role

to play in distributing L&H insurance products in Ontario. FSRA does not anticipate the Proposed Rule will result significant negative impacts to L&H MGA distribution in Ontario.

Consultation Questions

FSRA is seeking feedback on the Proposed Rule generally. FSRA is also interested in stakeholder's comments on:

1. **Balancing Proportional but Common Requirements:** Distribution through MGAs should improve access for consumers and flexibility, while still ensuring customers benefit from protection from harm, regardless of whether distribution includes MGAs.
 - a. Does the Proposed Rule appropriately balance flexibility for insurers, L&H MGAs and sub-MGAs to negotiate their role in the distribution of individual and group life and health insurance while establishing common regulatory outcomes for insurers, L&H MGAs and sub-MGAs when performing a regulated activity?
 - b. Given that MGAs vary in size, operations, and complexity, are there specific issues that FSRA should consider in the Proposed Rule to address unique needs or challenges (e.g., smaller MGAs, Associate General Agents, National Accounts and Third-Party Administrators)?
2. **Clarity of Rule:** Which part of the Proposed Rule would benefit from additional clarity within the Rule? What parts of the Proposed Rule would benefit from additional guidance?
3. **Insurer and MGA compliance systems:** FSRA has included additional requirements for MGA compliance systems as it believed MGAs would benefit from additional details and clarity about how and when to monitor sub-MGAs. Although such actions are not explicitly listed in the Proposed Rule for insurers, FSRA anticipates insurers may undertake similar actions to achieve other required outcomes, such as reporting to FSRA an MGA who may not be suitable to hold its licence. Does the Proposed Rule appropriately balance insurer and MGA compliance system requirements? If not, which part of the Proposed Rule would benefit from changes?
4. **Standards of Practice:** Should FSRA create standards of practice for MGAs or regulated activities under s. 407.2 beyond what is included in the Proposed Rule, and, if so, what does the stakeholder believe the standard should be, to whom should it apply, and what are the benefits to consumers?

5. **Transparency About MGAs:** Given the predominant role that L&H MGAs play in distributing insurance, should there be additional measures to increase transparency to consumers about
 - a. whether a L&H MGA is involved with the distribution of a product the consumer may purchase or has purchased, and
 - b. if so, what role(s) the L&H MGA has in relation to that product?
6. **Compliance Challenges:** Given insurers and MGAs are distinct legal entities and that life agents and MGAs can contract with multiple insurers and MGAs,
 - a. What practical challenges, if any, could limit an insurer's and/or MGA's ability to fulfill their compliance system requirements in the Proposed Rule?
 - b. Do insurers and MGAs adequately understand their respective requirements under the Proposed Rule in monitoring MGAs, sub-MGAs, agents and/or prospective agents in a multi-contract scenario and know what requirements are applicable to MGAs, sub-MGAs, agents and prospective agents?
 - c. What changes, if any, are required in the Proposed Rule to address these challenges?
7. **Insurer Screening:** Considering existing screening requirements on insurers under regulation 347/04: Agents, are changes needed to the Rule to reduce the potential for duplicate screening of agents who are authorized to sell or solicit insurance from many different insurers?
8. **Transition Matters:** FSRA has included a transition framework in the Proposed Rule which would allow stakeholders to apply for a licence immediately after the Amendments are proclaimed in force and require applicants to meet specific requirements but otherwise delay industry's need to comply with the framework to a set time in the future. Assuming FSRA requires all persons who wish to operate as a L&H MGA at the end of the transition period to apply at least 6 months before the end of the transition period, what do stakeholders believe is a reasonable transition period?

Regulations to be Amended

FSRA intends to request an amendment to schedule 1 of Ontario Regulation 408/12 ("**Administrative Penalties**") to include reference to requirements outlined in the Proposed Rule. As a result, an insurer's or L&H MGA's non-compliance with or contravention of requirements outlined in the Proposed Rule would permit FSRA to issue a notice of proposal to impose Administrative Penalties.

FSRA does not intend to make any other recommendations with respect to the amendment or revocation of a regulation or provision in a regulation that relates to the implementation of the Proposed Rule.

Appendix A – Text of the Proposed Rule

LIFE & HEALTH INSURANCE MANAGING GENERAL AGENTS

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

RULE 2025 – 001

LIFE & HEALTH INSURANCE – INSURANCE MANAGING GENERAL AGENTS

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1 Interpretation

1(1) In this Rule,

- (i) “Act” means the *Insurance Act*, R.S.O 1990, c. I.8, as amended,
- (ii) “Agents Regulation” means Agents, O. Reg. 347/04, as amended,
- (iii) “all applicable insurance law” means the Act, the regulations under the Act, the Authority rules and any conditions imposed on any insurance licence issued under the Act, and “any applicable insurance law” means any provision or requirement found in any of these,
- (iv) “all applicable law” means all law that applies to the activities in question, including all applicable insurance law, and “any applicable law” means any provision or requirement contained in any law that applies to the activities in question,
- (v) “designated compliance representative” means the individual designated by a managing general agent under subsection 407.4(13) of the Act,
- (vi) “End of Transition Date” means the date [***X***] months after this Rule takes effect,
- (vii) “Licence Application Deadline” means the date 6 months before the End of Transition Date,
- (viii) “managing general agent licence” means a licence issued under Part XIV.1 of the Act,
- (ix) “MGA licensed activities” means:
 - (a) the regulated activities listed in section 407.2 of the Act, and
 - (b) supervising, training or monitoring the activities of prospective agentsand “any MGA licensed activity” means any of these activities.

1(2) In addition to subsection 1(1), if a term or phrase used in this Rule is defined in the Act, that definition shall apply for the purpose of this Rule.

1(3) In this Rule:

- (i) an insurer is associated with a managing general agent if the insurer and the managing general agent agree the managing general agent will perform any MGA licensed activity with respect to agents who will be authorized to sell or solicit insurance to be issued by the insurer, or with respect to prospective agents, whether or not the insurer and managing general agent document this arrangement in a written agreement,
- (ii) an insurer is associated with a sub-managing general agent if a managing general agent associated with the insurer and the sub-managing general agent agree the sub-managing general agent will perform any MGA licensed activity with respect to agents who will be authorized to sell or solicit insurance to be issued by the insurer, or with respect to prospective agents, whether or not the managing general agent and sub-managing general agent document this arrangement in a written agreement, and
- (iii) for further clarity, the managing general agent in paragraph (ii) may itself be a sub-managing general agent with respect to the insurer, meaning the insurer is associated with all sub-managing general agents at any level in the distribution chain that are directly or indirectly authorized by the insurer to perform any MGA licensed activity with respect to the insurer's insurance products.

1(4) In this Rule:

- (i) A managing general agent is associated with a sub-managing general agent if:
 - (a) the sub-managing general agent and the managing general agent agree the sub-managing general agent will perform any MGA licensed activity with respect to agents who will be authorized to sell or solicit insurance, or with respect to prospective agents, or
 - (b) the sub-managing general agent agrees, with another sub-managing general agent that is already associated with the managing general agent, that the new sub-managing general agent will perform any MGA licensed activity with respect to agents who will be authorized to sell or solicit insurance, or with respect to prospective agents,

whether or not the managing general agent and sub-managing general agent in paragraph (a) or the sub-managing general agents in paragraph (b) document these arrangements through written agreements.

- (ii) For further clarity, neither of the sub-managing general agents in paragraph (i)(b) need to have an agreement directly with the managing general agent in order to be associated with the managing general agent, meaning the managing general agent is associated with all sub-managing general agents at any level in the distribution chain that are authorized by the managing general agent, directly or indirectly, to perform any MGA licensed activity.

1(5) In this Rule:

- (i) A managing general agent is associated with an agent if the managing general agent, or an associated sub-managing general agent under the managing general agent:
 - (a) employs the agent,
 - (b) contracts with the agent, or
 - (c) otherwise authorizes the agent, expressly or otherwise,to sell or solicit insurance, whether or not the arrangement in paragraphs (a), (b) or (c) is documented through a written agreement.
- (ii) A managing general agent is associated with a prospective agent if the managing general agent, or an associated sub-managing general agent under the managing general agent:
 - (a) employs the prospective agent, or
 - (b) contracts with the prospective agent,for the prospective agent to work toward becoming a licensed agent associated with the managing general agent.
- (iii) An insurer is associated with an agent if
 - (a) the agent is associated with a managing general agent that is associated with the insurer, and

(b) the agent is authorized to sell or solicit insurance that will be issued by the insurer.

(iv) An insurer is associated with a prospective agent if:

(a) the prospective agent is associated with a managing general agent that is associated with the insurer, and

(b) the prospective agent is working to become licensed as an agent with the goal of becoming an agent associated with the insurer.

1(6) In this Rule:

(i) The obligations that apply with respect to a managing general agent also apply with respect to an entity that is not licensed as a managing general agent but is performing any MGA licensed activity, contrary to subsection 407.3(1) of the Act.

(ii) Wherever this Rule refers to a managing general agent associated with the insurer, the reference includes any sub-managing general agents associated with the insurer.

1(7) A person or entity is acting as a managing general agent in Ontario when, pursuant to an agreement, the person or entity facilitates the sale of insurance by engaging in, or holding themselves out as engaging in, any of the following activities, which are prescribed for the purpose of paragraph 8 of section 407.2 of the Act: supervising, training or monitoring the activities of prospective agents.

1(8) In this Rule,

(i) In the context of changes to the business of a managing general agent, the word “material” is used to refer to any changes that a reasonable insurer would believe:

(a) provides reasonable grounds to believe the managing general agent is not suitable to carry on business as a managing general agent,

(b) with respect to information to be transmitted to an insurer, would require changes to the insurer’s compliance system or to the way the insurer monitors the managing general agent under its compliance system, or

- (c) with respect to information to be transmitted to a managing general agent, would require changes to the managing general agent's compliance system or to the way the managing general agent monitors the sub-managing general agent under its compliance system.
 - (ii) In the context of any failure to comply with any applicable insurance law, "material" non-compliance and "materially" failing to comply refer to an act or omission contrary to any applicable insurance law that a reasonable insurer would believe:
 - (a) provides reasonable grounds to believe the person who materially failed to comply is not suitable to hold a licence that person holds under the Act, or
 - (b) provides grounds to believe that any person having an interest in an insurance contract, including an insured or a beneficiary, has suffered or is likely to suffer harm as a result of the non-compliance.
- 1(9) In this Rule, "sufficient information" to assess whether a person is suitable to be licensed as an agent includes:
- (i) evidence that would cause an insurer acting reasonably to believe the person:
 - (a) is of good character and reputation, including information about the person's
 - (a) past behaviour,
 - (b) record of employment or business,
 - (c) history of criminal charges or convictions,
 - (d) history of regulatory investigations, charges or other actions,
 - (b) will exercise good professional judgment in the conduct of business as an agent, including information described in paragraph (a),
 - (c) has the knowledge required to conduct business as an agent in compliance with all applicable laws, including, where the person is

an individual, evidence the person has completed the training required under sections 4 and 14 of the Agents Regulation,

(d) is otherwise qualified to be licensed as an agent as described in the Agents Regulation, and

(ii) reasonable grounds to believe the information described in paragraph (i) is accurate.

2 Application

2(1) This Rule applies to:

- (i) insurers that are licensed for the class of life insurance,
- (ii) life insurance and accident and sickness insurance issued or to be issued by these insurers; in this Rule, such insurance is referred to as “insurance”,
- (iii) managing general agents licensed under Part XIV.1 of the Act who perform any MGA licensed activity with respect to such insurance for an insurer that is licensed for the class of life insurance,
- (iv) entities that do not hold a managing general agent licence but do perform any MGA licensed activity with respect to such insurance for any such insurer, contrary to subsection 407.3(1) of the Act,
- (v) individuals who act as a managing general agent's designated compliance representative, and
- (vi) agents who are
 - (a) employed by,
 - (b) under contract with, or
 - (c) otherwise authorized by any managing general agent or any entity described in paragraph (iv)

to sell or solicit such insurance to be issued by any such insurer.

3 Managing General Agents – Licensing: Eligibility Criteria

- 3(1) The requirements for an applicant to be issued a managing general agent licence under subsection 407.6(1) of the Act are:
- (i) the applicant is suitable to carry on business as a managing general agent as described under section 4 of this Rule,
 - (ii) the applicant designates an individual to be the managing general agent's designated compliance representative who meets the criteria under subsection 6(2) of this Rule, and provides particulars of this individual with the application for the licence,
 - (iii) the applicant has a system of compliance that meets the requirements in this Rule, and the individual to be designated as the managing general agent's designated compliance representative attests this is true,
 - (iv) the applicant provides proof the applicant has liability insurance and either a surety bond or errors and omissions insurance as required by section 7 of this Rule, and
 - (v) the applicant has a mailing address in Ontario that is not a post office box and that is suitable to permit service by registered mail.
- 3(2) Individuals are not eligible for a managing general agent licence under subsection 407.6(1) of the Act, and may only perform MGA licensed activities if they are employed by a managing general agent that holds the relevant licence, or if the individual is a partner in partnership that holds such a licence.

4 Managing General Agents – Licensing: Suitability

- 4(1) In determining whether an applicant is not suitable to hold a managing general agent's licence, pursuant to subsection 407.6(1) of the Act, the Chief Executive Officer is required to have regard to the following circumstances:
- (i) whether, having regard to the past conduct of the applicant, or of any of the following entities and individuals, there are reasonable grounds for the belief that the applicant will not carry on business in accordance with all applicable law or with integrity and honesty:

- (a) the applicant's designated compliance representative, or any proposed designated compliance representative,
 - (b) if the applicant is a corporation, each director and officer of the corporation,
 - (c) if the applicant is a partnership, each partner of the partnership,
- (ii) whether the applicant or any other person described in paragraph (i) has made a false statement or has provided false or deceptive information to the Chief Executive Officer, including with respect to an application for a license or in response to a request for information by the Chief Executive Officer, and
 - (iii) having regard to the applicant's financial position, whether there are reasonable grounds to believe the applicant can be expected to comply with all applicable law and be financially responsible in the conduct of its business.
- 4(2) In determining whether an applicant is not suitable to hold a managing general agent's licence pursuant to subsection 407.6(1) of the Act, the Chief Executive Officer may also have regard to the following circumstances:
- (i) whether, having regard to the past conduct of any of the following entities and individuals, there are reasonable grounds for the belief that the applicant will not carry on business in accordance with all applicable law or with integrity and honesty:
 - (a) any employee, agent or contractor of the applicant,
 - (b) any associated sub-managing general agent or proposed associated sub-managing general agent of the applicant,
 - (c) any person or entity who may, in the opinion of the Chief Executive Officer:
 - (a) have a beneficial interest, either directly or indirectly, in the applicant or its business,
 - (b) exercise control, either directly or indirectly, over the applicant, or

- (c) provide financing, either directly or indirectly, to the applicant, and
- (ii) whether any person or entity described in paragraph (i) has made a false statement or has provided false or deceptive information to the Chief Executive Officer, including with respect to an application for a licence or in response to a request for information by the Chief Executive Officer.

5 Managing General Agents – Licensing: Expiry and Renewal

- 5(1) A managing general agent licence expires on the date specified on the licence, if any.
- 5(2) The expiry date specified on a managing general agent licence may be no later than the third anniversary of the date the licence takes effect.
- 5(3) If there is no date specified on a managing general agent licence, and the licensee does not also hold an Ontario agent's licence under paragraph 1 or 2 of subsection 392.2(2) of the Act, then the managing general agent licence will expire on the second anniversary of the date it took effect.
- 5(4) If there is no date specified on a managing general agent licence, and the licensee also holds an Ontario agent's licence under paragraph 1 or 2 of subsection 392.2(2) of the Act, then the managing general agent licence will remain in effect at least until the first anniversary of the date it took effect and, on or following that anniversary, will expire on the same date as the agent's licence next expires.
- 5(5) An application for renewal of a licence shall be made in the same manner as for a licence in the first instance.

6 Managing General Agents – Designated Compliance Representatives

- 6(1) The duties of a designated compliance representative of the managing general agent under subsection 407.4(13) of the Act include:
 - (i) overseeing the managing general agent's compliance system required by subsection 407.4(7) of the Act, and
 - (ii) acting honestly and with integrity with respect to the execution of the designated compliance representative's duties.

- 6(2) For the purposes of subsection 407.4(14) of the Act, an individual is eligible to act as a managing general agent's designated compliance representative only if the individual satisfies the following criteria:
- (i) the individual has the knowledge, experience, character and authority, and is otherwise appropriate, to ensure the managing general agent,
 - (a) successfully performs its MGA licensed activities in a manner compliant with all applicable law, and
 - (b) implements, follows, monitors and periodically updates the compliance system as required under this Rule,
 - (ii) the individual is:
 - (a) an officer of the managing general agent, if the managing general agent is a corporation, or
 - (b) a partner of the managing general agent, if the managing general agent is a partnership,
 - (iii) the individual is reasonably qualified by education and/or experience to understand all regulatory responsibilities associated with the requirements to be licensed and carry on business as both an agent and a managing general agent under the Act,
 - (iv) the individual maintains operational independence from any sales function of the managing general agent, and
 - (v) the individual does not receive any commission or compensation directly based on revenue the managing general agent receives based on sales of insurance by the managing general agent, by any associated sub-managing general agent, or by any associated agent.

7 Managing General Agents – Standards of Practice – Insurance and Surety

- 7(1) As a standard of practice prescribed under subsection 407.4(6) of the Act, a managing general agent shall maintain general liability insurance and either:
- (i) a surety bond for the protection of the insurer, or
 - (ii) errors and omissions insurance,

in a form approved by the Chief Executive Officer in an amount not less than what is reasonable, with regard to the size, complexity, operations, and risk profile of

- (iii) the managing general agent,
- (iv) the associated sub-managing general agents under the managing general agent, if any, and
- (v) the agents associated with the managing general agent.

8 Insurers – Compliance System

8(1) An insurer's compliance system required by section 407.10 of the Act shall be reasonably designed to achieve the following outcomes:

- (i) that the managing general agents and agents associated with the insurer will comply with all applicable insurance law,
- (ii) that where a managing general agent or agent associated with the insurer materially fails to comply with any applicable insurance law, this non-compliance will be identified, reported to the insurer and rectified in a timely and effective manner,
- (iii) that on an ongoing basis, the insurer will identify whether there are reasonable grounds to believe any associated managing general agent is not suitable to be licensed as a managing general agent and promptly report such grounds to the Chief Executive Officer, and
- (iv) that on an ongoing basis, the insurer will identify whether there are reasonable grounds to believe any agent associated with the insurer is not suitable to carry on business as an agent, and promptly report such grounds to the Chief Executive Officer.

8(2) Despite paragraphs 8(1)(iii) and 8(1)(iv):

- (i) an insurer is not required to make a separate report to the Chief Executive Officer if a managing general agent makes the required report to the Chief Executive Officer and either
 - (a) the report contains all information required by these paragraphs, or

- (b) the insurer makes a supplementary report to the Chief Executive Officer that contains the remainder of the required information, but
 - (ii) where an insurer relies on a managing general agent's report to comply with such requirements, the managing general agent's report is deemed to be a report from the insurer to the Chief Executive Officer and the insurer is responsible for the accuracy and completeness of its contents.
- 8(3) The compliance system required by section 407.10 of the Act shall include a client service continuity plan that protects clients where a managing general agent associated with the insurer no longer fills that role.
- 8(4) The client service continuity plan required by subsection 8(3) shall be reasonably designed to ensure that all persons who were previously receiving service from agents associated with a managing general agent described in that subsection will continue to receive service from agents who are adequately supervised and/or monitored under a compliance system that complies with all applicable insurance law.
- 8(5) The insurer shall periodically assess the effectiveness of its compliance system and update it as required.
- 8(6) In addition to its own compliance system an insurer may, when reasonable, rely on information provided by, or processes under, a managing general agent's compliance system designed to achieve any of the outcomes described in this Rule if the insurer has sufficient controls in place to ensure the managing general agent's compliance system meets the requirements set out in section 9.

9 Managing General Agents – Compliance System

- 9(1) A managing general agent's compliance system required by subsection 407.4(7) of the Act shall be reasonably designed to achieve the following outcomes:
 - (i) that the managing general agent and any person acting on its behalf will act competently, honestly, with integrity and in compliance with all applicable insurance law,

- (ii) that the managing general agent will assess, on an ongoing basis, whether associated sub-managing general agents under it are suitable to carry on business as managing general agents, including assessing:
 - (a) the sub-managing general agents' financial condition,
 - (b) whether senior management have the knowledge, experience and character, and are otherwise appropriate, to ensure the sub-managing general agents successfully perform their duties consistently with all applicable insurance law, and
 - (c) the adequacy of sub-managing general agents' compliance systems,
- (iii) that the sub-managing general agents and agents associated with the managing general agent will comply with all applicable insurance law,
- (iv) that prospective agents employed by or under contract with the managing general agent will comply with all applicable insurance law,
- (v) that the managing general agent will be promptly made aware of any material changes related to the business of any associated sub-managing general agent's business, including the composition of senior management,
- (vi) that where a prospective agent employed by or under contract with the managing general agent, or a sub-managing general agent or agent associated with the managing general agent, materially fails to comply with any applicable insurance law, this non-compliance will be identified, reported to the managing general agent and the relevant insurer(s), and rectified in a timely and effective manner, which may include the following steps:
 - (a) that the managing general agent will promptly be made aware of material non-compliance with any applicable insurance law by:
 - (a) any sub-managing general agent associated with the managing general agent,
 - (b) any agent associated with the managing general agent, and

- (c) any prospective agent employed by or under contract with the managing general agent,
- (b) that the managing general agent will provide recommendations or options for timely and effective remediation to any sub-managing general agent, agent or prospective agent described in paragraph (a) where the managing general agent identifies such sub-managing general agent, agent or prospective agent has not complied, or is at risk of failing to comply, with any applicable insurance law,
- (c) that the managing general agent will assess whether its recommendations or options for remediation are implemented, or whether such sub-managing general agent, agent or prospective agent otherwise comes into compliance with applicable insurance law,
- (vii) that on an ongoing basis, the managing general agent identifies whether there are reasonable grounds to believe:
 - (a) any associated sub-managing general agent under the managing general agent is not suitable to be licensed as a managing general agent,
 - (b) any agent associated with the managing general agent is not suitable to carry on business as an agent, or
 - (c) any prospective agent employed by, or under contract with, the managing general agent is acting as an agent without the required licence,

and promptly report such grounds to each insurer associated with the sub-managing general agent, agent or prospective agent, and to the Chief Executive Officer.

9(2) Despite paragraph 9(1)(vii)

- (i) a managing general agent is not required to make a report to the Chief Executive Officer if an insurer makes the required report to the Chief Executive Officer and the report contains all information required by paragraph 9(1)(vii),
- (ii) if an insurer makes the required report to the Chief Executive Officer, but the insurer's report does not contain all information required by

paragraph 9(1)(vii), then the managing general agent is only required to make a supplemental report that contains the information the insurer did not report.

- 9(3) A managing general agent shall periodically, and not less than once per year, conduct an assessment of each associated sub-managing general agent under it to determine if each such sub-managing general agent is complying with all applicable insurance law.
- 9(4) The assessment process required by subsection 9(3) shall be reasonably designed.
- 9(5) The compliance system required by subsection 407.4(7) of the Act shall include a client service continuity plan to address situations where an associated sub-managing general agent under the managing general agent no longer fills that role, including where:
- (i) the managing general agent terminates its agreement with a sub-managing general agent,
 - (ii) a sub-managing general agent associated with managing general agent terminates its agreement with a sub-managing general agent under it, or
 - (iii) an associated sub-managing general agent under the managing general agent:
 - (a) has its licence suspended or revoked,
 - (b) fails to renew its licence when it expires, or
 - (c) surrenders its licence.
- 9(6) The client service continuity plan required by subsection 9(5) shall be reasonably designed to ensure that all persons who were previously receiving service from agents associated with a sub-managing general agent described in that subsection will continue to receive service from agents who are adequately supervised and/or monitored under a compliance system that complies with all applicable insurance law.
- 9(7) The managing general agent shall periodically assess the effectiveness of its compliance system and update it as required.

10 Shared Responsibility for Outcomes

10(1) In assessing whether an insurer's compliance system is reasonably designed as required under section 407.10 of the Act to meet the requirements under this Rule, the Chief Executive Officer may consider factors including the following:

- (i) whether the compliance systems of managing general agents associated with the insurer are reasonably designed as required under subsection 407.4(7) of the Act meet the requirements under this Rule,
- (ii) the extent to which managing general agents associated with the insurer comply with all applicable insurance law,
- (iii) the extent to which agents associated with the insurer comply with all applicable insurance law, and
- (iv) the extent to which the insurer's compliance system and the resources devoted to it reflect the size, complexity, operations, and risk profile of the insurer, and of each managing general agent associated with the insurer or with which the insurer intends to become associated.

10(2) In assessing whether a system or process to be created, used or maintained by an insurer is reasonably designed as required under section 407.10 of the Act and this Rule the Chief Executive Officer may consider factors with respect to:

- (i) the proportionality of the design, including the extent to which the system or process reflects the size, complexity, operations, and risk profile of the insurer, and of each managing general agent associated with the insurer or with which the insurer intends to become associated, and
- (ii) the implementation of the system or process, including the resources devoted to it, taking into account the factors that affect proportionality as described in paragraph 10(1)(iv).

10(3) In assessing whether a managing general agent's compliance system is reasonably designed as required under subsection 407.4(7) of the Act to meet the requirements under section 9, the Chief Executive Officer may consider factors including the following:

- (i) Whether the compliance systems of associated sub-managing general agent under the managing general agent are reasonably designed to meet the requirements under this Rule,
 - (ii) The extent to which associated sub-managing general agents under the managing general agent comply with all applicable insurance law,
 - (iii) The extent to which agents associated with the managing general agent comply with all applicable insurance law,
 - (iv) The extent to which prospective agents associated with the managing general agent comply with all applicable insurance law, and
 - (v) The extent to which any breaches of any applicable insurance law described in paragraphs (ii), (iii), and/or (iv) relate to a failure of the managing general agent with respect to:
 - (a) obligations that apply to the managing general agent under any applicable insurance law, or
 - (b) duties the managing general agent agreed to undertake with respect to screening, training, supervising or monitoring, and
 - (vi) The extent to which the managing general agent's compliance system and the resources devoted to it reflect the size, complexity, operations, and risk profile of
 - (a) the managing general agent, and
 - (b) each associated sub-managing general agent under the managing general agent, including any sub-managing general agent with which the managing general agent intends to become associated.
- 10(4) In assessing whether a system or process to be created, used or maintained by a managing general agent is reasonably designed as required under subsection 407.4(7) of the Act and this Rule the Chief Executive Officer may consider the extent to which the system or process and the resources devoted to it reflect the size, complexity, operations, and risk profile of
- (i) the managing general agent, and

- (ii) each associated sub-managing general agent under the managing general agent, including any sub-managing general agent with which the managing general agent intends to become associated.

10(5) For further clarity, the same facts may be relevant to the Chief Executive Officer's assessment of whether the systems and/or processes of an insurer and the systems and/or processes of one or more managing general agents meet the applicable criteria as described in this section.

11 Recruiting Agents – Managing General Agents – Standards of Practice

11(1) Each managing general agent is responsible for implementing and maintaining a recruiting process reasonably designed to achieve the following outcomes:

- (i) conflicts of interest associated with the managing general agent's process of recruiting agents and prospective agents to sell and provide advice with respect to insurance are avoided or properly managed, and
- (ii) where the managing general agent becomes associated with any prospective agents, the prospective agents will not act as agents until and unless they are licensed as agents, trained as required under subsection 16(1) and authorized to act for the relevant insurer(s).

11(2) Subsection 11(1) sets out standards of practice that are prescribed under subsection 407.4(6) of the Act.

12 Screening – Insurers

12(1) Each insurer is responsible for implementing and maintaining a process reasonably designed to ensure no agent or prospective agent associated with the insurer performs activities with respect to the insurer's insurance that require an agent's licence until:

- (i) the insurer has reviewed sufficient information to assess whether this person is suitable to carry on business as an agent,
- (ii) the insurer has concluded the person is suitable for this purpose,
- (iii) the person has the relevant agent's licence,
- (iv) the person has completed the required training under subsection 16(1), and

- (v) the insurer has authorized the agent to sell the insurer's insurance.

12(2) For further clarity and for the purposes of subsection 12(1):

- (i) the insurer may rely on information gathered by a managing general agent if the insurer has processes in place reasonably designed to ensure the information is accurate and sufficiently complete for the purpose, and
- (ii) the insurer shall make the final decision about whether each person to be associated with the insurer as an agent is suitable to carry on business as an agent, after reviewing sufficient information to make this assessment, even if the insurer has delegated part of this screening process to a managing general agent.

12(3) Subsection 12(1) establishes responsibilities for insurers pursuant to subparagraph 29.2(ii) of subsection 121.0.1(1) of the Act.

13 Screening Agents – Managing General Agent Standards of Practice

13(1) Each managing general agent that performs any function with respect to screening agents or prospective agents for an insurer is responsible for implementing and maintaining a process reasonably designed to achieve the following outcomes:

- (i) the managing general agent and any person acting on its behalf with respect to screening agents or prospective agents acts competently, honestly, with integrity and in compliance with all applicable insurance law,
- (ii) the managing general agent will provide the insurer with all information the managing general agent, or any person acting on its behalf, gathers that is relevant to whether an agent or prospective agent is suitable to carry on business as an agent, and
- (iii) the managing general agent will only make a recommendation to an insurer about whether an agent or prospective agent is suitable to carry on business as an agent after reviewing sufficient information to make this assessment.

13(2) Subsection 13(1) sets out standards of practice that are prescribed under subsection 407.4(6) of the Act.

14 Training Agents – Insurers

- 14(1) Each insurer is responsible for implementing and maintaining a training system reasonably designed to achieve the outcomes described in subsection 14(3).
- 14(2) An insurer may rely on a managing general agent to provide training designed to achieve any of the outcomes described in this Rule if the insurer has sufficient controls in place to ensure the managing general agent provides the training as described in this section.
- 14(3) An insurer's training system shall be reasonably designed to achieve the following outcomes:
- (i) where an insurer relies on a managing general agent as described in subsection 14(2), the managing general agent conducts the training to the extent the insurer and managing general agent have agreed and in accordance with all applicable insurance law,
 - (ii) if a managing general agent associated with an insurer intends to provide any training to agents or prospective agents that refers to the insurer's insurance, then the insurer will review the training and confirm it is clear, accurate, not misleading and complies with all applicable insurance law before the managing general agent provides the training,
 - (iii) agents and prospective agents associated with the insurer understand what activities require an agent's licence and the steps they must complete before they can perform any such activities with respect to the insurer's insurance,
 - (iv) the agents associated with the insurer understand and, with respect to paragraph (a), are able to explain to clients:
 - (a) the insurer's insurance contracts, including:
 - (a) key features,
 - (b) costs,
 - (c) terms, conditions and exclusions,
 - (d) what client needs the insurance can meet, and

- (e) the characteristics of persons whose needs each insurance contract is likely to meet,
- (b) the insurance market,
- (c) how to make product recommendations that meet client needs, including
 - (a) how to assess a person's need for insurance, and
 - (b) how to identify which types of insurance contracts can meet those needs, if any,
- (d) what training the agents must complete before performing activities that require an agent's licence with respect to the insurer's insurance, including what training is required with respect to each insurance contract the agent may sell or with respect to which the agent may provide advice,
- (e) how to be clear, accurate and not misleading with respect to the solicitation and negotiation of, and the provision of advice with respect to, the insurer's insurance, and
- (f) all applicable insurance law that is relevant to their duties and how to comply with it,
- (v) agents associated with the insurer comply with all applicable insurance law,
- (vi) the agents associated with the insurer continue to understand the information described in subsection (iv) as long as they are associated with the insurer and complete appropriate ongoing training, and
- (vii) all training the insurer provides to its associated agents and prospective agents is clear, accurate, not misleading.

14(4) Subsection 14(1) establishes a responsibility for insurers pursuant to paragraph 29.2(ii) of subsection 121.0.1(1) of the Act.

15 Training Agents – Managing General Agent Standards of Practice

15(1) Each managing general agent that performs training of agents or prospective agents is responsible for implementing and maintaining a training process reasonably designed to achieve the following outcomes:

- (i) all training that the managing general agent provides will be clear, accurate, not misleading and will,
 - (a) be consistent with the outcomes in this Rule,
 - (b) to the extent the managing general agent has agreed to do so, achieve the outcomes insurers are required to achieve with respect to training under this Rule, and
- (ii) agents and prospective agents associated with the managing general agent understand what activities require an agent's licence and the steps they must complete before they can perform any such activities,
- (iii) before the managing general agent provides training to agents or prospective agents that refers to a particular insurer's insurance,
 - (a) the managing general agent will provide the proposed training to the insurer to review, and
 - (b) the insurer will review the training and confirm the training is clear, accurate, not misleading and complies with all applicable insurance law, and
- (iv) agents associated with the managing general agent understand:
 - (a) how to be clear, accurate and not misleading with respect to the solicitation and negotiation of, and the provision of advice with respect to insurance, and
 - (b) what training the managing general agent will provide, if applicable, that the agents must complete before performing activities that require an agent's licence with respect to each associated insurer's insurance, including any training that required with respect to each insurance contract the agent may sell or with respect to which the agent may provide advice.

15(2) Subsection 15(1) sets out standards of practice that are prescribed under subsection 407.4(6) of the Act.

16 Agents' Obligations

- 16(1) Each agent that is associated with an insurer must, before performing activities that require an agent's licence with respect to that insurer's insurance, complete all training the insurer is required to provide under this Rule, as communicated to the agent in accordance with paragraph 14(3)(iv)(d), including any training a managing general agent will provide, as communicated to the agent in accordance with paragraph 15(1)(iv)(b).
- 16(2) Each agent must avoid or properly manage any conflicts between the interests of the agent and those of any insured, potential insured or other member of the public with respect to the agent recruiting agents or prospective agents for a managing general agent so that such conflicts of interest do not result, directly or indirectly, in any reasonable person taking an action or making a decision with respect to insurance that would not be recommended by an agent in the absence of such conflict of interest.
- 16(3) Each agent that is associated with an insurer must, on the insurer's request, promptly provide the insurer with evidence that the agent has complied with all applicable insurance law with respect to the insurer's insurance the agent is authorized to sell or solicit, including,
- (i) any information or documentation the insurer requests for the purpose of assessing whether the agent is suitable to carry on business as an agent,
 - (ii) evidence the agent has completed required training,
 - (iii) records with respect to the insurer's insurance, including files with respect to specific insureds who purchased the insurer's insurance and prospective insureds who considered purchasing the insurer's insurance.
- 16(4) Each agent that is associated with a managing general agent must, on the managing general agent's request, promptly provide the managing general agent with evidence the agent has complied with all applicable insurance law with respect to insurance the agent is authorized to sell or solicit:
- (i) under the agent's employment with the managing general agent,
 - (ii) under a contract with the managing general agent, or

- (iii) which the managing general agent has otherwise authorized the agent to sell or solicit.
- 16(5) For further clarity, the information an agent is required to provide under subsection 16(4) includes:
- (i) any information or documentation the managing general agent requests for the purpose of assessing whether the agent is suitable to carry on business as an agent,
 - (ii) evidence the agent has completed required training, and
 - (iii) records with respect to the insurance the agent is authorized to sell or solicit as described in subsection 16(4), including files with respect to specific insureds who purchased the insurance and prospective insureds who considered purchasing the insurance.
- 16(6) Section 16 establishes responsibilities for agents pursuant to sub paragraph 29.2(ii) of subsection 121.0.1(1) of the Act.

17 Reporting Obligations

- 17(1) Each managing general agent that is associated with an insurer must, on the insurer's request, promptly provide the insurer with evidence that the managing general agent, sub-managing general agents or associated agents have complied with all applicable insurance law with respect to the insurer's insurance that is sold or solicited through the managing general agent.
- 17(2) Each insurer must, on the request of a managing general agent associated with that insurer, promptly provide the managing general agent with evidence that agents who are associated with the insurer through the managing general agent have complied with all applicable insurance law with respect to the insurer's insurance that is sold or solicited through the managing general agent.
- 17(3) Each sub-managing general agent that is associated with a managing general agent must, on the managing general agent's request, promptly provide the managing general agent with evidence that the sub-managing general agents or agents who are associated with the managing general agent through the sub-managing general agent have complied with all applicable insurance law with respect to insurance that is sold or solicited through the managing general agent.

17(4) Each managing general agent must, on the request of a sub-managing general agent associated with that managing general agent, promptly provide the sub-managing general agent with evidence that agents who are associated with the managing general agent through the sub-managing general agent have complied with all applicable insurance law that is sold or solicited through the sub-managing general agent.

17(5) Section 17 establishes responsibilities for insurers and managing general agents pursuant to sub paragraph 29.2(ii) of subsection 121.0.1(1) of the Act.

18 Transitional Matters

18(1) Despite subsection 407.3(1) of the Act:

- (i) a person or entity that is not licensed as a managing general agent may carry on the business of acting as a managing general agent for an insurer licensed for classes of life insurance or accident and sickness insurance in Ontario until the Licence Application Deadline,
- (ii) a person or entity that
 - (a) has applied to be licensed as a managing general agent in accordance with section 407.5 of the Act,
 - (b) has designated a compliance representative in accordance with subsections 407.4(13) and (14) of the Act, and
 - (c) complies with section 7 of this Rule [insurance and surety],
may carry on the business of acting as a managing general agent for an insurer licensed for classes of life insurance or accident and sickness insurance in Ontario until the earliest of:
 - (d) the End of Transition Date,
 - (e) the date the applicant withdraws the application, or
 - (f) the date the Chief Executive Officer refuses to issue the licence to the applicant, and
- (iii) an individual who is an employee of, or a partner in a partnership that is, a person or entity that is permitted to carry on the business of acting

as a managing general agent under subsection (ii) may continue to carry on the business of acting as a managing general agent in the course of such employment or partnership as long as the person or entity described in subsection (ii) is permitted to do so.

- 18(2) Until the End of Transition Date, the Chief Executive Officer may revoke a managing general agent licence that has been issued but not yet taken effect:
- (i) for any of the reasons the Chief Executive Officer may revoke a licence under section 407.7 of the Act,
 - (ii) in accordance with the processes for revoking such a licence under section 407.9 of the Act, with any necessary modifications,

and for the purpose of paragraph 18(1)(ii)(f), such revocation shall be deemed to be a refusal to issue a licence.

- 18(3) Until the End of Transition Date, an applicant for a managing general agent licence may withdraw an application for a managing general agent's licence that has already been issued, but not yet taken effect, in accordance with the processes under the Act for surrendering a managing general agent licence, with any necessary modifications.

- 18(4) Despite section 401 of the Act, a person or entity who is not licensed as a managing general agent and holds out to the public as being such a managing general agent or as being engaged in the insurance business as described in that section is not guilty of an offence under that section if the person or entity is permitted to act as a managing general agent under subsection 18(1).

- 18(5) Despite subsection 403(2) of the Act, an insurer, an officer, employee or agent thereof, or a broker may pay, allow or agree to pay or allow compensation or any thing of value to a person or entity for acting or offering to act as a managing general agent who, at the date thereof, is not a managing general agent if the person or entity, at the date thereof, is permitted to act as a managing general agent under subsection 18(1).

- 18(6) Despite subsection 407.3(2) of the Act, an insurer licensed for classes of life or accident and sickness insurance may enter into an agreement with a person or entity to act as a managing general agent despite the fact this person or entity is not licensed as a managing general agent if the person or

entity is permitted to act as a managing general agent under subsection 18(1).

- 18(7) Despite section 407.12 of the Act, an insurer need not provide notice to the Chief Executive Officer with respect to entering into, amending or terminating a managing general agent agreement before the End of Transition Date.
- 18(8) Despite section 407.13 of the Act, a person who acts as a managing general agent in Ontario without the licence required by this Part does not commit an offence under that section if the person is permitted to act as a managing general agent under subsection 18(1).
- 18(9) The following provisions of this Rule will take effect when the Rule comes into force:
- (i) subsection 1(1) and 1(2) [definitions],
 - (ii) subsections 1(3), 1(4) and 1(5) [which explain when insurers, managing general agents, sub-managing general agents and agents are associated with one another],
 - (iii) paragraph 1(6)(i) [obligations under this Rule apply to unlicensed people performing MGA licensed activity]
 - (iv) paragraph 1(6)(ii) [obligations of managing general agents also apply to sub-managing general agents]
 - (v) subsection 1(7) [a person who supervises, trains or monitors prospective agents is acting as a managing general agent under the Act]
 - (vi) subsection 1(8) [use of the word “material”]
 - (vii) subsection 1(9) [use of the phrase “sufficient information”]
 - (viii) section 2 [Application of Rule],
 - (ix) section 3 [licensing eligibility criteria],
 - (x) section 4 [suitability for licensing], and
 - (xi) section 5 [licensing expiry and renewal].

18(10) Despite section 3 and paragraph 18(9)(ix) of this Rule, an applicant may apply for a licence before the Licence Application Deadline if the applicant has not implemented a compliance system as described in section 9 but the applicant:

- (i) has designed and documented a compliance system as described in section 9, and
- (ii) attests the compliance system will be in effect by the End of Transition Date.

18(11) Despite section 3 and paragraph 18(9)(ix) of this Rule, the Chief Executive Officer may issue a licence before the End of Transition Date to an applicant that has not implemented a compliance system as described in section 9 if the applicant:

- (i) has designed and documented a compliance system as described in section 9, and
- (ii) attests the compliance system will be in effect by the End of Transition Date.

18(12) The following provisions of this Rule will take effect on the Licence Application Deadline:

- (i) section 6 [designated compliance representative],
- (ii) section 7 [insurance and surety],
- (iii) subsections 10(3) and 10(4) [factors to consider in assessing a managing general agent's compliance system and other systems and processes].

18(13) Despite subsection 18(12) of this Rule, an applicant for a managing general agent licence must comply with sections 6 and 7 and subsections 10(3) and 10(4) of this Rule on or before the date it submits its application to the Chief Executive Officer, even if the application is submitted before the Licence Application Deadline.

18(14) All other provisions of this Rule will take effect on the End of Transition Date.

19 Coming into Force

19(1) This Rule will come into force on the later of the date Part XIV.1 of the Act comes into force and 15 days after the Rule is approved by the Minister.