

**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 agents

and “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
 - (i) past behaviour,
 - (ii) record of employment or business,
 - (iii) history of criminal charges or convictions,
 - (iv) 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:
 - (i) have a beneficial interest, either directly or indirectly, in the applicant or its business,
 - (ii) exercise control, either directly or indirectly, over the applicant, or

- (iii) 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 license 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:
 - (i) any sub-managing general agent associated with the managing general agent,
 - (ii) any agent associated with the managing general agent, and

- (iii) 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:
 - (i) key features,
 - (ii) costs,
 - (iii) terms, conditions and exclusions,
 - (iv) what client needs the insurance can meet, and

- (v) 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
 - (i) how to assess a person's need for insurance, and
 - (ii) 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.