

Financial Services Regulatory Authority of Ontario (“FSRA”)

Notice of Changes and Request for Further Comment (the “Notice of Change”)

RULE 2025-001 – Life and Health Insurance Managing General Agents (the “Proposed L&H MGA Rule”)

October 20, 2025

Introduction

Pursuant to subsection 22(8) of the *Financial Services Regulatory Authority of Ontario Act, 2016*, SO 2016, c 37, Sched 8 (the “**FSRA Act**”), the Financial Services Regulatory Authority of Ontario (“**FSRA**”) is proposing changes to Rule 2025–001 – Life and Health Managing General Agents (“**Proposed L&H MGA Rule**”).

On January 28, 2025, FSRA posted a [Notice and Request for Comment](#) (the “**Original Notice**”) on the Proposed L&H MGA Rule. FSRA is now recommending changes to the Proposed L&H MGA Rule (“**Revised L&H MGA Rule**”) taking into consideration the submissions and comments received through the consultation, which closed on April 30, 2025.

Upon publication of this Notice of Changes and Request for Further Comment (the “**Notice of Change**”), FSRA is inviting interested persons to make written representations to FSRA with respect to the Revised L&H MGA Rule by November 19, 2025.

FSRA has also developed and posted for public comment [proposed amendments \(“Proposed Fee Rule Amendments”\) to Rule 2022-001 – Assessments and Fees \(the FSRA Fee Rule\)](#) which would support the new licensing framework for L&H MGAs.

Background

A Life and Health Managing General Agents (“**L&H MGA**”) is an entity that facilitates the sale of Life and Health (“**L&H**”) insurance by managing relationships with agents and, in some cases, relationships with other L&H MGAs know as sub-MGAs, for an insurer that is licensed to issue life insurance. Traditionally handled by insurers, agent-related activities such as screening, training, and monitoring have increasingly been taken on by L&H MGAs pursuant to arrangements with insurers. In Ontario, close to two-thirds of total new premiums for individual L&H insurance is distributed through intermediary

channels like L&H MGAs.¹ However, despite their central role, L&H MGAs have operated without a dedicated licensing framework in Ontario.

The Proposed L&H MGA Rule builds on the legislative framework in Ontario's *Insurance Act* RSO 1990, c I.8 (the "Act")² and prescribes additional detail in a manner which aims to address the potential for consumer harm identified in past FSRA supervisory reviews, particularly in relation to recruiting, screening, training and monitoring agents in the L&H MGA distribution channel. The [Original Notice](#) provides a detailed explanation of the substance, purpose, and development of the Proposed L&H MGA Rule.

Consistent with the government's announcement included in the [2025 Ontario Budget: A Plan to Protect Ontario](#), the new licensing framework is being targeted for implementation by June 1, 2026. This would be subject to the approval of the Revised L&H MGA Rule by the Minister of Finance.

Statement of Purpose of Proposed Changes to the Proposed L&H MGA Rule

The proposed amendments are informed by careful consideration of stakeholder feedback and insights received during the first public consultation. The Revised L&H MGA Rule includes a number of amendments aimed at achieving the following key objectives:

- Where consumers receive advice from agents contracted with L&H MGAs, the agents are subject to the same minimum level of oversight as required by existing insurance laws for agents contracted directly with insurers;
- Insurers and L&H MGAs clearly understand their respective responsibilities; and
- Conduct standards and rule requirements for compliance are reasonable.

The amendments to the Proposed L&H MGA Rule are also intended to align with FSRA's statutory objects as stated in the FSRA Act:

- Contribute to public confidence in the regulated sectors;
- Monitor and evaluate developments and trends in the regulated sectors;
- Promote high standards of business conduct;
- Protect the rights and interests of consumers; and

¹ 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.

² 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, but the L&H MGA amendments have not yet been proclaimed in force.

- Foster strong, sustainable, competitive, and innovative financial services sectors.

The proposed amendments are intended to achieve the following outcomes:

- a) Requirements and compliance expectations can easily be understood and are feasible/achievable for regulated entities, including both large and small businesses

Some stakeholders noted that certain requirements in the Proposed L&H MGA Rule created ambiguity and advocated for clear and consistent delineation of compliance responsibilities between insurers and L&H MGAs.

The Revised L&H MGA Rule outlines in greater detail the distinct outcomes that insurers and L&H MGAs must achieve through their respective compliance systems.

The Revised L&H MGA Rule also provides clarity on circumstances where an insurer may rely on a L&H MGA's compliance system for agent-related activities, provided the L&H MGA's compliance system can reasonably be expected to meet the required outcomes.

These changes are intended to support operational efficiency, reduce duplication of effort, and ensure accountability is appropriately allocated across insurers, L&H MGAs and agents. The proposed amendments also reflect the need for insurers to remain accountable for ensuring there are reasonable systems of compliance throughout the distribution chain.

- b) Proportionate burden and trying to ensure the costs of compliance do not outweigh the consumer protection benefits

During the first public consultation, some stakeholders noted the proposed regulatory framework could impose additional financial burden on regulated entities, particularly on smaller and mid-size organizations.

FSRA recognizes the importance of promoting effective consumer protection while avoiding undue burden on regulated entities. To address stakeholder concerns, FSRA is proposing amendments to the Revised L&H MGA Rule to focus on scenarios where a substantive risk of consumer harm has been identified, such as L&H MGA distribution of individual insurance rather than group or creditors' group insurance. Changes include the introduction of three tiers for licensed L&H MGAs which are intended to differentiate obligations. This approach aims to maintain strong consumer protection while minimizing unnecessary costs and administrative burden.

- c) Avoid, as much as possible, creating a disproportionate competitive advantage with other distribution channels

Stakeholders shared concerns that imposing significantly different or higher regulatory requirements on the L&H MGA distribution channel, compared to other L&H insurance distribution channels, could lead to competitive imbalances across the L&H insurance distribution landscape.

In response, FSRA is proposing amendments to the Proposed L&H MGA Rule that reflect the need for a proportionate and robust regulatory framework within the L&H MGA distribution channel and where possible, align regulatory requirements with those already established in other regulated L&H insurance distribution channels. This approach supports consistency across the various distribution models while ensuring that regulatory requirements are appropriately tailored to L&H MGAs. For example, under the Revised L&H MGA Rule, higher obligations will apply to L&H MGAs who, on behalf of an insurer, recruit, screen, train, or monitor agents who will be authorized to sell individual insurance.

- d) Minimize potential for unintended market disruptions and resulting consumer access issues

Some stakeholders raised concerns that the new licensing and compliance requirements introduced through the Proposed L&H MGA Rule may disproportionately affect smaller and mid-sized entities. They noted that this could disrupt the marketplace and lead to unintended consequences, such as limiting access to advice and services and reducing consumer choice.

The Revised L&H MGA Rule aims to minimize potential disruption in the marketplace by establishing compliance requirements that reflect the activities and responsibilities of different entities captured under the framework. These changes are also intended to ensure consumers continue to have access to, and choice, among, L&H insurance products.

Summary of Written Comments Received

FSRA received 20 submission letters, 10 comments and 7 questions on the Proposed L&H MGA Rule during the public consultation period. FSRA engaged with industry associations, insurers, and L&H MGAs, during and after the consultation to gather additional feedback. A list of those who provided written submissions is outlined in **Appendix A**. All submission, comments, and questions are also available on [FSRA's website](#).

At a high level, stakeholders provided comments on the following topics:

- **Scope and Applicability:** A number of stakeholders expressed concern that the Proposed L&H MGA Rule is overly broad, potentially creating unintended

consequences and regulatory burdens across entities of varying sizes, markets, and business models.

- **Licensing Eligibility and Suitability:** Most stakeholders supported a licensing framework for L&H MGAs and FSRA's role in assessing applicant suitability before issuing a licence.
- **Licence Expiry and Renewal:** Some stakeholders recommended a single, clearly defined expiry date for each L&H MGA licence to reduce operational confusion and administrative burden.
- **Designated Compliance Representative (DCR):** Several stakeholders raised concerns about the requirement for the DCR to be an "officer" or "partner" of the L&H MGA and requested clarity on qualifications and responsibilities.
- **Standards of Practice – Insurance and Surety:** Some stakeholders proposed minimum limits for E&O and cyber insurance for L&H MGAs, while recommending the removal of the proposed surety bond requirement.
- **Compliance System:** Stakeholders noted that the Proposed L&H MGA Rule does not clearly delineate responsibilities between insurers and L&H MGAs, potentially leading to overlap and duplication of effort.
- **Standards of Practice – Recruiting:** Some stakeholders commented that the Proposed L&H MGA Rule imposes undue regulatory burden on L&H MGAs with agent-driven recruitment models. Stakeholders noted that, as currently drafted, the Proposed L&H MGA Rule prohibits agents who are not employees of a L&H MGA (i.e. contracted with the L&H MGA) from engaging in any of the regulated activities, including recruiting.
- **Standards of Practice – Screening:** There was no clear consensus between commenters on who should assume primary responsibility for agent screening. Some stakeholders expressed the view that insurers should be able to rely on a L&H MGA's process to screen and recommend suitable agents. Other stakeholders noted that screening requirements should be placed on insurers.
- **Standards of Practice – Training:** Stakeholders generally agreed that insurers should provide product-specific training, while L&H MGAs could handle certain non-product-specific training (e.g. sales practices and client advice).
- **Transitional Matters:** Stakeholders recommended transition periods between 12 and 24 months to allow time for system updates, staff training, and implementation of compliance measures.

A more detailed summary of stakeholder feedback is provided in the [Consultation Summary Report and FSRA Responses](#).

Summary of Reasons for Proposed Changes

FSRA proposes to make the following amendments to the Proposed L&H MGA Rule.

1. Interpretation

This section is amended to:

- Introduce definitions of Tier 1 MGA, Tier 2 MGA, and Tier 3 MGA.

The introduction of the concept of tiers for L&H MGAs is being made in response to stakeholder concerns that applying uniform compliance requirements across all entities that require a L&H MGA license under the Act could result in undue burden, operational challenges, and unintended market disruptions. Under revised section 1, Tier 1 MGAs and Tier 2 MGAs are those that recruit, screen, train and/or monitor agents who will be authorized to sell individual insurance, with Tier 1 limited to those who perform these activities pursuant to an agreement with an insurer.³ Tier 3 MGAs are all other L&H MGAs as defined in sections 1 and 407.2 of the Act.

Additional amendments in Section 1 are included to:

- Clarify a L&H MGA's requirements in circumstances where they are both a Tier 1 MGA and a Tier 2 MGA regarding different insurers or different insurance products.
- Clarify that "sufficient information" to assess whether a person is suitable to be licensed as an agent includes information that would cause an insurer to reasonably believe the person "will carry on business in accordance with all applicable law".

These changes are made to clarify that if an L&H MGA is both a Tier 1 and Tier 2 MGA in different circumstances, it must comply with Tier 1 duties where relevant, and to clarify factors that insurers and L&H MGAs must consider when assessing agent suitability.

2. Responsibility for Delegated Activities

This new section is included to:

- Clarify that L&H MGAs may delegate certain responsibilities or activities under any applicable insurance law to someone else, but only if they remain fully accountable for making sure those responsibilities are done in compliance with the relevant obligations.
- Clarify that insurers may delegate certain responsibilities under any applicable insurance law to someone else, but only if they remain fully accountable for ensuring those responsibilities are carried out correctly and in compliance with the relevant obligations.

³ The definition of Tier 1 MGA specifies that it recruits, screens, trains or supervises/monitors agents or prospective agents selling individual insurance and performs these activities, or holds itself out as performing these activities pursuant to an agreement between that Tier 1 MGA and an insurer.

These changes also reinforce accountability by making it clear that insurers and L&H MGAs cannot avoid their relevant legal obligations by passing tasks to others. Even when responsibilities or activities are delegated, the original party has the legal obligation for ensuring compliance. This helps maintain high standards, reduce gaps in oversight, and protects consumers by ensuring that all parties involved in insurance distribution are properly supervised and held accountable.

3. Application

This section (formerly section 2) is amended to:

- Clarify that the rule applies to both agents and prospective agents associated with L&H MGAs.

This change is made to confirm that certain requirements in the Revised L&H MGA Rule apply to prospective agents, such as the duty not to act as an agent until the prospective agent has completed required training.

4. Managing General Agents – Licensing: Eligibility Criteria

Section 4 (formerly section 3) is amended to:

- Outline the relevant licensing eligibility requirements and link such requirements to those set out in the Act, and
- Improve readability of eligibility requirements.

These changes are made to enhance clarity of requirements in the section.

5. Managing General Agents Suitability Requirements

Section 5 (formerly section 4) is amended to:

- Remove the requirement for the CEO to consider the applicant's financial position, and whether this position gives reasonable grounds to believe the applicant can be expected to comply with all applicable law and be fiscally responsible in the conduct of its business.

This change is made to align the suitability assessment for L&H MGAs with FSRA's current process for assessing the suitability of corporate agents. This is intended to avoid creating an unlevel playing field and placing undue regulatory burden in the L&H MGA distribution channel.

6. Managing General Agents Licensing – Expiry and Renewal

Section 6 (formerly section 5) is amended to:

- Specify that a L&H MGA licence will expire on the date specified on the licence, if any, or otherwise two years from the date of issue.

This change is made in response to stakeholders seeking clarity and expressing concern around having multiple expiry dates for L&H MGA licences.

7. Managing General Agents – Designated Compliance Representatives

Section 7 (formerly section 6) is amended to:

- Remove the requirement for a DCR to be an “officer” or “partner” of the L&H MGA and to maintain operational independence from the L&H MGA’s sales functions.
- Specify that any individual is eligible to be a DCR for a Tier 3 MGA, as long as there is no reasonable ground to believe the individual will not carry on their duties as a designated compliance representative according to applicable law, with integrity and honesty.
- Clarify that, to be a DCR for a Tier 1 or Tier 2 MGA (i.e., a L&H MGA that recruits, screens, trains and/or monitors agents who sell individual insurance), a person must have the knowledge, experience, character, resources and authority, and otherwise be able to appropriately perform the DCR’s prescribed duties.

These changes are designed to align the DCR’s qualifications with the L&H MGA’s activities, and the associated risks. They also address stakeholder concerns about potential operational challenges, particularly for smaller MGAs, of requiring the DCR to be “an officer” or “partner.”

Additional amendments to Section 7 include new duties of DCRs of Tier 1 and Tier 2 MGAs, specifically:

- Adding “implementing, monitoring, and periodically updating” the L&H MGA’s compliance system as prescribed duties.
- Adding the requirement to ensure the L&H MGA takes reasonable steps to deal with any contravention of any applicable insurance law by the L&H MGA, or by a sub-managing general agent or agent associated with that L&H MGA.

These changes were made in response to written and verbal stakeholder feedback on the need to provide additional detail and clarity with respect to the duties of a DCR.

8. Managing General Agents – Insurance

Section 8 (formerly section 7) is amended to:

- Remove the option for L&H MGAs to maintain a surety bond as an alternate to Errors and Omissions (E&O) insurance.

This amendment is being made in response to stakeholder feedback about the limitations of surety bonds.

9. Recruiting Agents: Managing General Agents – Standards of Practice

Section 9 (formerly section 11) is amended to:

- Remove the requirement for L&H MGAs to have processes reasonably designed to ensure conflicts of interest regarding recruiting are avoided or properly managed.
- Clarify the differing standards of practice between Tier 1, Tier 2 and Tier 3 MGAs, namely:
 - Tier 1 MGAs must have a recruiting system reasonably designed to ensure that if the Tier 1 MGA becomes associated with any prospective agents, then
 - (1) The prospective agents will not act as agents until and unless they are licensed as agents, trained as required under the Rule and authorized to act for the relevant insurer(s), and
 - (2) There are reasonable grounds to believe the prospective agents will comply with applicable laws,
 - Tier 2 MGAs that comply or contract with prospective agents must have a recruiting process reasonably designed to ensure the Tier 2 MGA will provide the relevant Tier 1 MGA the information and reports the Tier 1 MGA needs to fulfil its obligations with respect to such prospective agents, and
 - The Standards of Practice do not apply to Tier 3 MGAs.

The proposed amendments in this section are intended to apply recruiting-related compliance obligations across different L&H MGA tiers, ensuring that regulatory expectations are proportionate to the roles and responsibilities of each entity. These changes also aim to streamline compliance requirements while maintaining appropriate safeguards through both existing and new provisions within the Revised L&H MGA Rule. Overall, the amendments support a more efficient and effective regulatory framework, reduce unnecessary burden, minimize duplication and enhance clarity for regulated entities.

10. Screening– Insurers

Section 10 (formerly section 12) is amended to:

- Clarify that under the Rule insurers are only responsible for implementing and maintaining a reasonably designed process for screening agents if the insurer is associated with a Tier 1 MGA or a Tier 2 MGA (i.e., the insurer distributes individual insurance through a L&H MGA).
- Clarify that, except where it intends to sponsor an agent, an insurer can delegate the decision about whether a person is suitable to be licensed as an agent to a Tier 1 MGA that has an adequate screening process.

- Similarly, the insurer can delegate to a Tier 1 MGA the task of assessing whether a person is suitable and making a recommendation to the insurer about suitability.
- Permit insurers to delegate these tasks to a Tier 1 MGA, but only if the insurer has a system reasonably designed to:
 - Check that the Tier 1 MGA's own compliance system is adequate and can properly handle the tasks the insurer is delegating, in accordance with:
 - The contract between them,
 - Any instructions the insurer gives, and
 - All relevant laws.
 - Make sure the information the Tier 1 MGA provides is accurate and complete, especially if the insurer is relying on it to meet its own obligations.
 - If applicable, evaluate whether the Tier 1 MGA's system will still work if the Tier 1 MGA delegates relevant tasks, such as information gathering, to Tier 2 or Tier 3 MGAs.
 - Ensure the insurer delegates specified activities to the Tier 1 MGA only if the Tier 1 MGA's compliance system is reliable.
 - Ensure that when the insurer knows (or should know) that the Tier 1 MGA's system is not reliable, the insurer takes action in a timely and effective manner to address identified gaps in the Tier 1 MGA's screening process.

Revised section 10 also prohibits an insurer from delegating its screening duties under the Revised L&H MGA Rule directly to a Tier 2 MGA or Tier 3 MGA.

These changes were made to allow insurers to delegate certain screening tasks to L&H MGAs only if the insurers have a proactive compliance system designed to vet the L&H MGA's compliance systems, to verify the quality of information provided to them by L&H MGAs, and to intervene if something goes wrong.

These changes address stakeholder comments regarding the need to reduce, where possible, duplication of effort and clearly outline the roles and responsibilities for insurers when they engage in screening activities.

11. Screening Agents – Managing General Agents – Standards of Practice

Section 11 (formerly section 13) is amended to clarify L&H MGAs' screening duties, placing greater obligations on L&H MGAs to whom an insurer delegates screening of agents and prospective agents who will be authorized to sell individual life insurance.

Under previous section 13, all L&H MGAs would have been required to have processes reasonably designed to ensure: the L&H MGA and every person acting on its behalf regarding screening will act competently, honestly, with integrity and in compliance with

laws; the L&H MGA will provide the insurer with all information it gathers regarding suitability; and the L&H MGA will only make a recommendation after reviewing sufficient information for that purpose.

Under revised section 11, Tier 1 MGAs will need to implement and maintain a screening process reasonably designed to ensure that:

- If the Tier 1 MGA becomes associated with any agents or prospective agents, the agents or prospective agents do not act as agents until they are found to be suitable.
- If the Tier 1 MGA is delegated the activity to screen agents or prospective agents for suitability, it will carry out those responsibilities in accordance with all applicable law.
- If the Tier 1 MGA is delegated the activity of making a recommendation to the insurer about whether a person is suitable to be an agent, then the Tier 1 MGA will make a recommendation only after reviewing sufficient information to assess the person's suitability.
- If the Tier 1 MGA delegates any tasks regarding screening to a Tier 2 or Tier 3 MGA, the delegated activities will be carried out according to applicable insurance laws, including the Tier 1 MGA's and the delegating Tier 2 MGA's responsibilities, as described above.

Amendments have been made to impose identical requirements on Tier 2 MGAs, namely a Tier 2 MGA must have a screening process reasonably designed to ensure that:

- If the Tier 2 MGA becomes associated with any agents or prospective agents, the agents or prospective agents do not act as agents until they are found to be suitable.
- If the Tier 2 MGA is delegated the activity to screen agents or prospective agents for suitability, it will carry out those responsibilities in accordance with all applicable law.

Further, Under revised section 11:

- Tier 1 MGAs cannot delegate to Tier 2 or Tier 3 MGAs any screening decisions or the power to recommend decisions on suitability to an insurer. However, the Tier 1 MGAs may delegate related tasks, such as information gathering.
- A Tier 2 or Tier 3 MGA to whom screening activities have been delegated must complete the activities as instructed by the Tier 1 MGA and in accordance with applicable insurance law, including the Tier 1 MGA's and, where applicable, the delegating Tier 2 MGA's obligations under section 1110 with respect to such agents and prospective agents.
- A Tier 2 MGA is permitted to further delegate screening activities to another Tier 2 MGA or to a Tier 3 MGA, but only if the delegating L&H MGA has a system

reasonably designed to ensure the entity to which it delegates the duties completes the activities as instructed by the Tier 1 MGA and in accordance with applicable insurance law.

- Tier 1 and Tier 2 MGAs must, when asked, provide reports and share information about whether the agents or potential agents they work with are suitable for the role. This information must be shared with the insurance companies whose products those agents are authorized to sell through the L&H MGA, and, if relevant, with other Tier 1 or Tier 2 MGAs that are also connected to those agents through the original L&H MGA.

A L&H MGA's screening process must be reasonably designed to meet the goals set out in this section. The process should match the L&H MGA's size, complexity, and risk level—including how it uses sub-MGAs and the nature of its relationships with those sub-MGAs and agents.

These changes reinforce accountability and regulatory clarity in the agent screening process. By requiring Tier 1 MGAs to maintain a reasonably designed system for assessing agent suitability, the changes ensure that suitability decisions are made either by insurers or by entities with the closest ties to insurers and the highest compliance obligations. This helps mitigate risks of inconsistent screening, regulatory gaps, and consumer harm.

Additionally, the amendments promote transparency and coordination across the distribution chain. They clarify the conditions under which non-core activities may be delegated, require lower-tier L&H MGAs to comply with insurance law, and mandate information sharing about agent suitability with insurers and other connected L&H MGAs. These measures support a more integrated and accountable oversight model, aligned with consumer protection and market conduct principles.

12. Training Agents – Insurers

Section 12 (formerly section 14) is amended to add more detail regarding L&H MGAs' duties regarding training and to provide nuance, with greater obligations on L&H MGAs that, for insurers, train agents who will be authorized to sell individual life insurance.

Section 12 is amended to:

- Require insurers that work with Tier 1 or Tier 2 MGAs (i.e., those insurers that distribute individual insurance through L&H MGAs) to have a system in place to make sure agents are properly trained and informed, including:
 - Creating clear and accurate training materials about their insurance products, covering key features, costs, and any terms, conditions, or exclusions.
 - Providing the materials to Tier 1 MGAs and making them available to Tier 2 and Tier 3 MGAs, as well as to the agents who sell the insurer's products.

- Ensuring agents complete training that helps them understand their legal responsibilities, including continuing education requirements, and how to accurately explain the products they sell.
- Permit insurers to delegate certain training responsibilities to a Tier 1 MGA, but only if the insurer has a system reasonably designed to ensure the Tier 1 MGA will handle those responsibilities properly, including:
 - The Tier 1 MGA, following the agreement and any instructions from the insurer, complies with insurance laws, including where the Tier 1 MGA passes tasks down to Tier 2 or Tier 3 MGAs. If the insurer knows or should know that the Tier 1 MGA's system is not reliable, the insurer must take timely and effective steps to fix the issue.
- Prohibit insurers from delegating any responsibilities under this section directly to Tier 2 or Tier 3 MGAs.

These changes were made to clarify the duties among the insurers and the various levels of L&H MGAs involved in training agents. They allow the insurer to focus its oversight on its Tier 1 MGAs, while ensuring these Tier 1 MGAs oversee the Tier 2 and Tier 3 MGAs below them. They require that only Tier 1 MGAs, who are subject to more requirements under the L&H MGA Rule, can take on and, where appropriate, delegate these tasks. This keeps ultimate accountability with the insurer and reduces the risk of gaps in oversight, especially when L&H MGAs work with multiple layers of L&H MGAs.

These changes improve transparency, reduce risk, and strengthen consumer protection.

13. Training Agents – Managing General Agents

Section 13 (formerly section 15) is amended to add more detail regarding L&H MGAs' duties regarding training and to provide nuance, with greater obligations on L&H MGAs that agree with an insurer to train agents who will be authorized to sell individual life insurance.

Under previous section 15, all L&H MGAs that train agents would have been required to have processes reasonably designed to achieve certain outcomes, including ensuring agents are properly trained, creating potential for duplication of effort.

Section 13 is amended to require Tier 1 MGAs who train agents to have processes reasonably designed to ensure:

- Their training is clear, accurate, not misleading and is consistent with the outcomes prescribed in the Rule.
- The Tier 1 MGA will, on request or as agreed with the insurer, notify the insurer if the Tier 1 MGA, or any Tier 2 or Tier 3 MGA associated with the Tier 1 MGA modifies the training material the insurer provides and provide reports regarding agent training.

- If the insurer has delegated training responsibilities to the Tier 1 MGA, the L&H MGA must make sure all relevant training materials are shared with the agents and L&H MGAs involved.
- If an insurer gives a Tier 1 MGA the activity to train agents, the L&H MGA follows the insurer's instructions, the agreement between them, and all insurance laws.
- Agents understand the products they are selling and their legal responsibilities.
- That a Tier 1 MGA is permitted to delegate training tasks to Tier 2 or Tier 3 MGAs, but only if the Tier 1's training system ensures those tasks will be done properly according to applicable insurance law.

Section 13 is amended to similarly require Tier 2 MGAs to have a process reasonably designed to ensure:

- That all training that the Tier 2 MGA provides for individual insurance is clear, accurate, not misleading and is consistent with the outcomes in this Rule.
- That the Tier 2 MGA will, on delegating Tier 1 MGA or Tier 2 MGA's request or, where the Tier 2 MGA and the delegating Tier 1 MGA or Tier 2 MGA have agreed upon timing for notification, when required by such agreement, notify the delegating Tier 1 MGA or Tier 2 MGA of any changes made to that insurer's training materials.
- That where a Tier 1 MGA has delegated to the Tier 2 MGA the provision of training materials, all relevant training materials regarding individual insurance are provided to Tier 2 MGAs, Tier 3 MGAs, agents and prospective agents associated with the Tier 2 MGA.
- That Tier 2 MGAs ensure agents understand key features, costs, terms, conditions, and exclusions of insurance products, and their legal obligations under all applicable insurance law

Section 13 is amended to:

- Require Tier 2 and Tier 3 MGAs to whom Tier 1 MGAs delegate training activities to complete them as provided for by the Tier 1 MGA's instructions and in compliance with applicable insurance law.
- Permit a Tier 2 MGA to delegate training activities to another Tier 2 or Tier 3 MGA, but only if the delegating Tier 2 MGA has a process reasonably designed to ensure the activities will be completed in compliance with applicable laws.
- Require all L&H MGAs to provide reports and share information about agent training when asked by insurers or other L&H MGAs connected to those agents.

The amendments clarify that a L&H MGA's training process must be reasonably designed and be proportionate the L&H MGA's size, complexity, and risk profile—including how it uses sub-MGAs and the nature of its relationships with those sub-MGAs and associated agents.

These changes were made to ensure that L&H MGAs have clear responsibility for the quality and accuracy of agent training. The changes also address oversight gaps by setting clear requirements for how L&H MGAs can delegate training activities. Tier 1 MGAs must have systems in place to ensure that any delegated tasks are carried out properly and in line with insurance laws.

This structured approach helps insurers maintain control and accountability over agent conduct, even when working through multiple layers of L&H MGAs. They allow the insurer to focus its oversight on its Tier 1 MGAs, while ensuring these Tier 1 MGAs oversee the Tier 2 and Tier 3 MGAs below them. This reduces the risk of gaps in oversight, especially when Tier 1 MGAs work with multiple layers of L&H MGAs.

These changes improve transparency, reduce risk, and strengthen consumer protection.

14. Agents' Obligations

Section 14 (formerly section 16) is amended to:

- Prohibit agents and prospective agents working with L&H MGAs from selling individual insurance unless they are officially licensed, have completed all required training, and have been authorized by the insurer to sell the specific insurance product.
- Remove the requirement for agents associated with L&H MGAs to avoid or manage conflicts of interest regarding recruiting.
- Require agents to provide any information or documents requested by an insurer or L&H MGA that help assess whether the agent is suitable to do the job, or that support the insurer or L&H MGA in meeting their legal obligations under the Revised L&H MGA Rule.

These changes ensure that agents are properly qualified and authorized before they begin selling individual insurance. By requiring licensing, completion of training, and insurer authorization, the rules help protect consumers from being advised or sold products by individuals who are not adequately trained or approved. The proposed changes are also intended to ensure the requirements in the Revised L&H MGA Rule for compliance and conduct standards are reasonable and aligned with existing requirements for agents across the L&H distribution channels.

Additionally, the requirement for agents to provide relevant information upon request ensures that agents are suitable and that insurers and Tier 1 MGAs can meet their legal obligations to monitor and manage agent conduct effectively. This promotes accountability and strengthens regulatory oversight across the distribution chain.

15. Insurers – Compliance System

Section 15 (formerly section 8) is amended to clarify that the focus of an insurer's oversight will be on its Tier 1 MGAs, rather than Tier 2 or Tier 3 MGAs, while ensuring Tier 1 MGAs oversee the Tier 2 and Tier 3 MGAs below them.

Former section 8 required insurers to have compliance systems reasonably designed to ensure all associated L&H MGAs comply with applicable insurance laws, that breaches are promptly rectified, and the insurer reports unsuitable L&H MGAs to FSRA. In contrast, updated section 15 focuses the insurers' oversight on Tier 1 MGAs, while clarifying duties with respect to them.

Section 15 is amended to clarify elements that must be included in the insurers' compliance system including:

- The insurer's duty to have a system reasonably designed to ensure agents comply with applicable insurance laws must involve insurers tracking agent behavior to identify patterns that could mean non-compliance, investigate those patterns, and fix any non-compliance that could harm consumers.
- Where an insurer decides to work with Tier 1 MGAs, the system must be reasonably designed to:
 - Ensure Tier 1 MGAs follow the law,
 - Check the Tier 1 MGA's suitability before becoming associated with them,
 - Monitor them regularly, and
 - Report Tier 1 MGA unsuitability to FSRA and in a timely and effective manner and take measures to address the relevant issues.
- Requiring insurers to provide reports that share relevant compliance information with Tier 1 MGAs, when asked.
- Permit insurers to delegate compliance tasks to Tier 1 MGAs, but only if the insurer has a system reasonably designed to confirm the Tier 1 MGA can handle those tasks properly and in accordance with applicable insurance law and the insurer can act quickly if they find the L&H MGA's system isn't reliable.
- Prohibit insurers from delegating any other compliance system responsibilities to Tier 1 MGAs beyond what's allowed in this section.
- Prohibit insurers from delegating any responsibilities with respect to individual insurance under Section 15 directly to Tier 2 or Tier 3 MGAs.

These changes strengthen insurer accountability and oversight in how individual insurance is distributed, especially when working with L&H MGAs and agents. They clarify that insurers' oversight of L&H MGAs is focused on Tier 1 MGAs, while the Tier 1 MGAs oversee the Tier 2 and Tier 3 MGAs. These rules ensure that insurers have robust compliance systems that are tailored to their business and risk profile, and that they actively monitor agent and Tier 1 MGA conduct to prevent consumer harm.

By setting clear limits on delegation and requiring insurers to maintain service continuity if a L&H MGA exits, the amendments close gaps in oversight, avoid duplication of effort and protect consumers from disruptions or misconduct. The overall goal is to improve transparency, ensure agents and L&H MGAs are properly supervised, and reinforce the insurer's role in maintaining compliance systems.

16. Managing General Agents – Compliance System

Section 16 (formerly section 9) is amended to add more detail regarding L&H MGAs' duties and to provide nuance, with greater obligations on L&H MGAs that agree with an insurer to recruit, screen, train or monitor agents who will be authorized to sell individual life insurance (Tier 1 MGAs).

Former section 9 required all L&H MGAs to have compliance systems reasonably designed to achieve certain outcomes, including ensuring agents associated with the L&H MGA will comply with applicable insurance laws. Section 16 is amended to clarify that, where an insurer has delegated these duties to a Tier 1 MGA, certain duties primarily fall to the Tier 1 MGAs.

Section 16 is amended to clarify that, aside from the duties that apply to all L&H MGAs under the Act, the requirements for L&H MGA compliance systems will be as follows.

Each Tier 1 MGA must have a compliance system reasonably designed to ensure:

- Agents associated with the Tier 1 MGA follow insurance laws, are regularly monitored and the Tier 1 MGA reports unsuitable agents to FSRA and addresses any associated issues.
- In the case of individual insurance, Tier 1 MGAs track agent behavior to spot patterns that could mean non-compliance, investigate those patterns, and fix any agent non-compliance that could harm consumers.
- Any Tier 2 and Tier 3 MGAs they work with follow the law, are monitored regularly, and unsuitable and unlicensed Tier 2 and Tier 3 MGAs are reported to FSRA, and any associated issues are addressed.
- The Tier 1 MGAs share relevant compliance information with insurers they work with when asked, to help those insurers meet their legal obligations.
- Tier 1 MGAs have a client service continuity plan to make sure clients continue receiving service if a Tier 2 or Tier 3 MGA stops operating.
 - The client service continuity plan must ensure that clients are served by agents who are properly supervised and working under a compliance system.
- Where the Tier 1 MGA takes on delegated responsibilities from insurers regarding MGA licensed activities such as screening, training and monitoring agents, they follow the insurer's instructions, their agreement, and all insurance laws.

Section 16 is also amended to specify:

- Tier 2 and Tier 3 MGAs must share relevant compliance information with Tier 1 MGAs or insurers they work with when asked.
- L&H MGAs cannot delegate any activities with respect to their compliance system responsibilities under Section 16 to another party.

These amendments are intended to address concerns regarding the lack of sufficient clarity in requirements, and potential for duplication of effort, which may hinder regulated entities from complying effectively with the framework.

This structured approach helps insurers maintain control and accountability over agent and L&H MGA conduct, even when working through multiple layers of L&H MGAs. It allows the insurer to focus its oversight on its Tier 1 MGAs, while ensuring these Tier 1 MGAs oversee the Tier 2 and Tier 3 MGAs below them. This reduces the risk of gaps in oversight, especially when Tier 1 MGAs work with multiple layers of L&H MGAs.

These changes improve transparency, reduce risk, reduce duplication of effort and strengthen consumer protection.

17. Reporting

Section 17 is amended to:

- Require L&H MGAs to submit an annual report to the Chief Executive Officer using the approved form, covering the previous year's activities.
- Require Tier 1 and Tier 2 MGAs to notify the Chief Executive Officer in writing within five business days if they no longer have a designated compliance representative, explain in writing how it plans to replace the representative, and confirm in writing once the new person is in place.
- Require the L&H MGA to provide updated information to the Chief Executive Officer within five business days if they change their mailing address, contact details, or if there are changes to their directors, officers, or partners.

These changes ensure FSRA maintains consistent and structured insight into L&H MGA operations, helping to monitor compliance and identify risks more effectively. This supports FSRA's broader goal of strengthening market conduct oversight and ensuring L&H MGAs meet their responsibilities with respect to agent supervision and consumer protection.

The additional requirements for timely updates ensure that FSRA maintains accurate and current records. This allows for quicker regulatory response to potential issues and helps reduce the risk of gaps in oversight.

18. Transitional Matters

The Revised L&H MGA Rule confirms that starting June 1, 2026, FSRA will implement a 24-month transition period before all the requirements in the Proposed L&H MGA Rule take effect. If the Minister approves the final rule by May 31, 2026, L&H MGAs may begin applying for licenses on June 1, 2026, and must apply by November 30, 2027, to continue operating in Ontario.

Other amendments to section 18 have been made to:

- Allow individuals and businesses to continue acting as L&H MGAs in Ontario without a licence during the transition period, provided they meet certain conditions, such as applying for a licence and appointing a compliance representative.
- Allow the Chief Executive Officer to revoke a L&H MGA's licence that has been issued but not yet taken effect, using the grounds and processes prescribed in the Act.
- Allow applicants for a L&H MGA license to withdraw their application before the licence takes effect, in accordance with the processes under the Act.
- Clarify that entities acting as L&H MGAs during the transition period are not committing an offence under the Act, as long as permitted to act as a managing general agent under subsection 18(1) of the Revised L&H MGA Rule.
- Allow insurers and brokers to compensate unlicensed L&H MGAs during the transition period if those L&H MGAs are permitted to operate under the Rule.
- Allow insurers to enter into agreements with unlicensed L&H MGAs during the transition period.
- Clarify that insurers are not required to notify FSRA about L&H MGA agreements until the transition period ends.
- Clarify which parts of the Rule take immediate effect, including definitions, licensing criteria, and obligation for delegated activities; as well as which provisions take effect on the Licence Application Deadline.
- Allow applicants to apply for and receive a L&H MGA licence before implementing their compliance processes required under the Rule, as long as the system is designed, documented, and in place by the end of the transition period.
- Clarify that all other provisions of this Rule will take effect on the End of Transition Date.

19. General amendments

FSRA made non-substantive amendments throughout the Proposed L&H MGA Rule while carrying out its review in response to received stakeholder feedback. These included grammar and language edits, reordering of sections, and stylistic changes to ensure consistency, enhance clarity, and improve readability.

Unpublished Materials

FSRA has not relied on any significant unpublished study, report, decision, or other written materials, other than internal reports prepared by FSRA management for the FSRA Board of Directors.

Legislative Amendments and Regulations to be Revoked

FSRA intends to request an amendment to the Act to allow Section 18 (Transitional Matters) of the Revised L&H MGA Rule to temporarily override the Act. This amendment is necessary to provide clarity that individuals and businesses may continue to act as L&H MGAs in Ontario provided they comply with the Rule.

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 L&H MGA 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.

Text of Revised Rule

For the blackline version of the Revised Rule, please see **Appendix B**.

Comments

Interested parties are invited to make written representation with respect to the Revised L&H MGA Rule. Submission received by November 19, 2025 will be considered.

Submissions should be submitted through the submission portal on [FSRA’s website](#).

Under the FSRA Act, FSRA is required to make all written representations publicly available. As a result, all submission will be posted on [FSRA’s website](#) in a timely manner.

Appendix A – List of Commenters

Appendix B – Revised L&H MGA Rule (Blackline Version)

Appendix C – Revised L&H MGA Rule (Clean)

Appendix A – List of Commenters

	Organization / Stakeholder	Commenter
1	Advocis	Kelly Gorman
2	Canada Life	David Stewart
3	Canadian Association of Independent Life Brokerage Agencies (CAILBA)	Phil Marsillo
4	Canadian Life and Health Insurance Association (CLHIA)	Lyne Duhaime
5	Co-operators Life Insurance Company	Paul Gobeil
6	Desjardins Group	Giuseppina Marra
7	Experior Financial Group Inc.	Shelden Smollan
8	Financial Horizons	Nick Pszeniczny
9	FSRA Consumer Advisory Panel (CAP)	N/A
10	Global Insurance Solutions Inc.	Pricilla Kugathasan
11	Greatway Financial Inc.	Matthew Hallet
12	Group Force Benefits Inc.	Sally Hagan
13	HUB Financial Inc.	Andrew Fink
14	IDC Worldsource Insurance Network Inc.	Phil Marsillo
15	Independent Financial Brokers of Canada (IFB)	Nancy Allen
16	Individual Contributor	Ekamdeep Singh
17	Individual Contributor	Jocelyn Balendrez
18	Individual Contributor	Kirklin McKay
19	Individual Contributor	Leo Chow Bellow
20	Individual Contributor	Myrose Tayamen
21	Individual Contributor	Shadi Rangrizian
22	Individual Contributor	William Sadler
23	Peoplecorp/GroupQuest	Mario Malatesta
24	PPI	Cathy Hiscott
25	Primerica	John A. Adams
26	The Advisor Group	Nicola Acocella
27	The Travel Health Insurance Association of Canada (THIA)	Elliot Draga
28	Third Party Administrators' Association of Canada (TPAAC)	Carole Yari
29	TrueStone Financial Inc.	Godfrey Kiu
30	World Financial Group Insurance Agency of Canada (WFG)	Richard Williams

**Appendix B – Text of the Revised L&H MGA Rule [2025-001]
Life and Health Managing General Agents (Blackline Version)**

**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, under the Act,
- (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***~~ twenty-four (24) months after this Rule takes effect,
- (vii) “Licence Application Deadline” means the date six (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~~;~~

(x) “Tier 1 MGA” means a managing general agent that:

(a) facilitates the sale of life or accident and sickness insurance by engaging in any of the following activities, or holds themselves out as doing so:

(i) recruiting agents or prospective agents who are or will be authorized to sell individual insurance,

(ii) screening agents or prospective agents, who are or will be authorized to sell individual insurance, to confirm the agent is suitable to carry on business as an agent,

(iii) providing training to agents who are or will be authorized to sell individual insurance, or

(iv) supervising or monitoring the activities of agents who are or will be authorized to sell individual insurance, and

(b) performs these activities, or holds itself out as performing these activities, pursuant to an agreement between that managing general agent and an insurer,

(xi) "Tier 2 MGA" means a managing general agent that:

(a) is not a Tier 1 MGA, and

(b) facilitates the sale of life or accident and sickness insurance by engaging in any of the following activities, or holds themselves out as doing so, pursuant to an agreement with another managing general agent:

(i) recruiting agents or prospective agents who are or will be authorized to sell individual insurance,

(ii) screening agents or prospective agents, who are or will be authorized to sell individual insurance, to confirm the agent is suitable to carry on business as an agent,

(iii) providing training to agents who are or will be authorized to sell individual insurance, or

(iv) supervising or monitoring the activities of agents who are or will be authorized to sell individual insurance, and

(xii) “Tier 3 MGA” means a managing general agent that is neither a Tier 1 MGA nor a Tier 2 MGA.

1(2) If an entity is both a Tier 1 MGA and a Tier 2 MGA regarding different insurers, or different insurance products, or both, the entity must:

(i) adhere to the provisions of this Rule that apply to Tier 1 MGAs with respect to the insurer and/or insurance products for which the entity is a Tier 1 MGA, and

(ii) adhere to the provisions of this Rule that apply to Tier 2 MGAs under this Rule with respect to the insurer and/or insurance products for which the entity is a Tier 2 MGA.

1(2)1(3) 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)1(4) 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)~~1(4)(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)1(5) 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)~~1(5)(i)(a) or the sub-managing general agents in paragraph ~~(b)~~1(5)(i)(b) document these arrangements through written agreements.
- (ii) For further clarity, neither of the sub-managing general agents in paragraph ~~(i)(b)~~1(5)(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)1(6) 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)~~ paragraph 1(6)(i)(a), 1(6)(i)(b) or 1(6)(i)(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~~ that 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~~ that insurer.

1(6)1(7) 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)~~1(8) 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~~information 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~~enforcement,
 - (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~~law, including, where the person is an individual, evidence the person has completed the training required under sections 4 and 14 of the Agents Regulation and under this Rule,
 - (d) will carry on business in accordance with all applicable law, and
 - ~~(d)~~(e) 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 Responsibility for Delegated Activities

2(1) Where a managing general agent delegates responsibilities or activities related to the managing general agent's obligations under any applicable insurance law, that delegation does not relieve the managing general agent from its obligations under any applicable insurance law.

2(2) Where an insurer delegates responsibilities or activities related to the insurer's obligations under any applicable insurance law, that delegation does not relieve the insurer from its obligations under any applicable insurance law.

23 Application

2(1)3(1) This Rule applies to:

- (i) insurers that are required to be 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 and prospective 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)~~3(1)(iv)to sell or solicit such insurance to be issued by any such insurer.

34 Managing General Agents – Licensing: Eligibility Criteria

3(1)4(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 5 of this Rule,
- (ii) the applicant designates an individual to be the managing general agent's applicant's designated compliance representative who meets the criteria requirements under subsections subsections 407.4(13) and

(14) of the Act, including requirements under section 6(2)7 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 subsections 407.4(7), (8) and (9) of the Act, including requirements in section 16 of this Rule, and the individual to be designated as the managing general agent's applicant's designated compliance representative attests ~~this is true~~ the applicant's compliance system meets these requirements,
- (iv) the applicant provides proof, in a form approved by the Chief Executive Officer, that the applicant has ~~liability insurance and either a surety bond or errors and omissions insurance as required by~~ which meets requirements in section ~~7~~8 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)4(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 on behalf of a managing general agent 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.

45 **Managing General Agents – Licensing: Suitability**

4(1)5(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~~ shall 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, and
- (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)5(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)~~5(2)(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.

56 Managing General Agents – Licensing: Expiry and Renewal

~~5(1)~~6(1) A managing general agent licence expires on the date specified on the licence, if any.

~~5(2)(i)~~ ~~The~~ If there is no 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)~~6(2) ~~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)~~6(3) An application for renewal of a licence shall be made in the same manner as for a licence in the first instance.

67 Managing General Agents – Designated Compliance Representatives

~~6(1)~~7(1) The duties of a designated compliance representative of ~~the managing general agent~~ Tier 1 MGA and a Tier 2 MGA under subsection 407.4(13) of the Act include:

- (i) overseeing, implementing, monitoring, and periodically updating the managing general agent's compliance system required by subsection 407.4(7) of the Act, ~~and~~ including compliance system obligations as further provided in this Rule,
- (ii) ensuring that the managing general agent takes reasonable steps to deal with any contravention of any applicable insurance law by the managing general agent, or by a sub-managing general agent or agent associated with that managing general agent, and

~~(ii)~~(iii) acting honestly and with integrity with respect to the execution of the designated compliance representative's duties.

~~6(2)~~7(2) For the purposes of subsection 407.4(14) of the Act, an individual is eligible to act as a ~~managing general agent's~~Tier 1 MGA's or Tier 2 MGA's designated compliance representative only if the individual satisfies the following criteria:

(i) the individual has the knowledge, experience, character, resources and authority, and is otherwise ~~appropriate,~~able to ensure appropriately perform the ~~managing general agent~~duties set out in subsection 7(1), and,

~~(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)~~(ii) ~~the individual is reasonably qualified by education and/or experience to understand~~understands 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,~~all applicable insurance law.

~~(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(3) For the purposes of subsection 407.4(14) of the Act, any individual is eligible to act as a Tier 3 MGA's designated compliance representative unless there are reasonable grounds for the belief that the individual will not carry out their duties as a designated compliance representative in accordance with all applicable law or with integrity and honesty.

78 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,

8(1) 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)~~(i) the managing general agent,

~~(iv)~~(ii) the associated sub-managing general agents under the managing general agent, if any, and

~~(v)~~(iii) the agents associated with the managing general agent.

81 ~~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) 1(1) 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)(i) 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) 1(1) The assessment process required by subsection 9(3) shall be reasonably designed.~~

~~9(5) The compliance system required by 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)(a) — 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.~~

149 Recruiting Agents – Managing ~~General Agents~~ general agents – Standards of Practice

~~11(1) Each managing general agent is responsible for implementing and maintaining~~Any Tier 1 MGA and Tier 2 MGA that recruits agents or prospective agents to sell individual insurance must implement and maintain a recruiting process reasonably designed to ~~achieve~~ensure that if 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~~Tier 1 MGA or properly managed, and
Tier 2 MGA

~~9(1) where the managing general agent becomes associated with any~~ agents or prospective agents,

~~(ii)~~(i) the agents and prospective agents will not act as agents until and unless they are licensed as agents, trained as required under subsection ~~16(1)~~14(1) and authorized to act for the relevant insurer(s).
and

(ii) there are reasonable grounds for the belief that the agents and prospective agents will carry on business in accordance with all applicable law.

9(2) Each Tier 2 MGA that recruits agents or prospective agents to sell individual insurance must implement and maintain a recruiting process reasonably designed to ensure the Tier 2 MGA will, upon request, provide the relevant Tier 1 MGA the information and reports the Tier 1 MGA needs to fulfil its obligations under subsection 1(1) with respect to such prospective agents.

9(3) A managing general agent's recruiting process required by section 1 shall be reasonably designed to achieve the outcomes set out in the relevant subsection with regard to the size, complexity, operations, and risk profile of:

(i) the managing general agent and the managing general agent's use of sub-managing general agents for the distribution of individual insurance, and

(ii) the sub-managing general agents and agents associated with the managing general agent.

~~11(2)~~9(4) Section 1 sets out standards of practice that are prescribed under subsection 407.4(6) of the Act.

1210 Screening – Insurers

~~12(1)~~10(1) Each insurer that is associated with a Tier 1 MGA or Tier 2 MGA is responsible for implementing and maintaining a process reasonably designed to ensure no agent or prospective agent associated with ~~the~~that insurer performs activities with respect to ~~the~~that insurer's insurance ~~that~~which require an agent's licence until:

(i) if the insurer will be required to sponsor the person's licence pursuant to the Agents Regulation:

(i)(a) the insurer has reviewed sufficient information to assess whether this person is suitable to carry on business as an agent, and

(ii)(b) the insurer has concluded the person is suitable for this purpose,

~~(iii) — the person has if the insurer will not be required to sponsor the relevant agent's person's licence;~~

~~(ii) — pursuant to the person Agents Regulation, either:~~

~~(iv)(a) — the insurer has completed the required training under subsection steps specified in paragraph 16(1), and 10(1)(i), or~~

~~(v)(i) — the insurer has authorized/delegated the agent activities in paragraph 10(1)(i) to sell the insurer's insurance a Tier 1 MGA;~~

~~12(2)(b) — For further clarity and for the purposes of subsection 12(1): the Tier 1 MGA has:~~

~~(i) — the insurer may rely on reviewed sufficient 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) —~~

~~(i) — the insurer shall make the final decision about assess whether each this 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 and~~

~~(ii) — concluded the person is suitable for this purpose.~~

~~(ii) — An screening process insurer may delegate activities to a managing general agent.~~

~~10(2) — Subsection Tier 1 MGA with respect to screening, except the insurer's duties regarding sponsored agents under paragraph 10(1)(i), and may rely for the purpose of this section on information the Tier 1 MGA provides, if:~~

~~(i) — the insurer's process described in subsection 10(1):~~

~~(a) is reasonably designed to confirm whether the Tier 1 MGA's compliance system is reasonably designed to ensure the delegated activities are carried out in accordance with:~~

~~(i) — the agreement between the insurer and the Tier 1 MGA,~~

(ii) any instructions the insurer provides the Tier 1 MGA with respect to such activities, and

(iii) all applicable law,

(b) is reasonably designed to ensure any information the insurer receives from the Tier 1 MGA and relies upon with respect to such delegation is accurate and sufficiently complete for the purpose,

(c) includes an assessment of whether the Tier 1 MGA's compliance system can be relied upon where the Tier 1 MGA further delegates to a Tier 2 MGA or a Tier 3 MGA any activities with respect to this section, if applicable, and

(d) either,

(i) the insurer is satisfied the Tier 1 MGA's compliance system can reasonably be relied upon for the purposes set out in paragraphs (a) and (b) even where activities are further delegated as described in paragraph (c), or

(ii) where the insurer knows, or reasonably ought to know, a Tier 1 MGA's compliance system cannot be reasonably relied upon for any such purpose, the insurer takes appropriate action in a timely and effective manner to address the gaps.

10(3) An insurer may ~~12(1)~~not delegate its activities under subsection 10(1) to a Tier 2 MGA or, with respect to individual insurance, to a Tier 3 MGA.

~~12(3)~~10(4) Section 10 establishes responsibilities for insurers pursuant to sub paragraph 29.2(ii) of subsection 121.0.1(1) of the Act.

1311 Screening Agents – Managing General Agents – Standards of Practice

~~13(1)~~11(1) Each managing general agent that performs any functionAny Tier 1 MGA to which an insurer delegates any activities with respect to screening agents or prospective agents for an insurer is responsible for implementing and maintaining a shall implement and maintain a screening process reasonably designed to achieve the following outcomesensure that:

(i) if the managing general agent and any person acting on its behalfTier 1 MGA becomes associated with respect to screening any agents or

~~prospective agents acts competently, honestly, with integrity and in compliance with all applicable insurance law,;~~

~~(a) 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 the agents or prospective agent agents will not act as agents until and unless either the relevant insurer or, where the insurer has delegated this activity to the Tier 1 MGA under subsection (i), the Tier 1 MGA has:~~

~~(i) reviewed sufficient information to assess whether this person is suitable to carry on business as an agent, and~~

~~(ii) concluded the person is suitable for this purpose,~~

~~(ii) the Tier 1 MGA will complete these activities in accordance with all applicable law,~~

~~(iii) if the insurer delegates to the Tier 1 MGA the activity of making a recommendation to the insurer about whether a person is suitable to carry on business as an agent:~~

~~(ii)(a) the Tier 1 MGA will only make such a recommendation after the Tier 1 MGA reviews sufficient information to assess whether this person is suitable to carry on business as an agent, and concludes whether the person is suitable, and~~

~~(b) the managing general agent will only make a recommendation consistent with the Tier 1 MGA's conclusions.~~

~~11(2) A Tier 1 MGA shall not delegate to a Tier 2 MGA or Tier 3 MGA the activity of deciding whether a person is suitable to carry on business as an insurer agent or making a recommendation about whether an agent or prospective agent a person is suitable.~~

~~(iii)11(3) A Tier 1 MGA may delegate to a Tier 2 MGA or Tier 3 MGA activities with respect to gathering information about whether a person is suitable to carry on business as an agent after reviewing sufficient information to make this assessment only if the Tier 1 MGA's screening process is reasonably designed to ensure the delegated activities will be carried out in compliance with applicable insurance laws, including the Tier 1 MGA's responsibilities under this section.~~

11(4) Any Tier 2 MGA to which a Tier 1 MGA delegates any activities with respect to screening agents or prospective agents shall implement and maintain a screening process reasonably designed to ensure that:

(i) if the Tier 2 MGA becomes associated with any agents or prospective agents, then:

(a) the agents or prospective agents will not act as agents until and unless either the relevant insurer or, where the insurer has delegated this activity to the Tier 1 MGA under subsection (i), the Tier 1 MGA has:

(i) reviewed sufficient information to assess whether this person is suitable to carry on business as an agent, and

(ii) concluded the person is suitable for this purpose, and

(ii) the Tier 2 MGA will complete the delegated activities in accordance with all applicable law.

11(5) Where a Tier 1 MGA delegates any activities with respect to section 11 to a Tier 2 MGA, that Tier 2 MGA may only further delegate any such activities to another Tier 2 MGA or Tier 3 MGA if the delegating Tier 2 MGA's screening process is reasonably designed to ensure the delegated activities will be carried out in accordance with applicable insurance laws, including the Tier 1 MGA's and the delegating Tier 2 MGA's responsibilities under this section.

11(6) Any Tier 2 MGA and Tier 3 MGA to which a Tier 1 MGA or Tier 2 MGA delegates any activities with respect to screening agents or prospective agents must complete the activities in accordance with applicable insurance law, including the Tier 1 MGA's and, where applicable, the delegating Tier 2 MGA's obligations under section 11 with respect to such agents and prospective agents.

11(7) Each Tier 1 MGA, Tier 2 MGA and Tier 3 MGA must, upon request, provide reports and share information with respect to the suitability of agents and prospective agents associated with that Tier 1 MGA, Tier 2 MGA or Tier 3 MGA with:

(i) the insurers whose products the agents or prospective agents are authorized to sell through that Tier 1 MGA, Tier 2 MGA or Tier 3 MGA, and,

~~(ii) if Subsection 13(1) applicable, any Tier 1 MGAs, Tier 2 MGAs or Tier 3 MGAs, who are associated with agents or prospective agents through that Tier 1 MGA, Tier 2 MGA or Tier 3 MGA.~~

~~11(8) A managing general agent's screening process required by section 11 shall be reasonably designed to achieve the outcomes set out in the relevant subsection(s) of section 11 with regard to the size, complexity, operations, and risk profile of:~~

~~(i) the managing general agent and the managing general agent's use of sub-managing general agents for the distribution of individual insurance, and~~

~~(ii) the sub-managing general agents and agents associated with the managing general agent.~~

~~13(2)11(9) Section 11 sets out standards of practice that are prescribed under subsection 407.4(6) of the Act.~~

1412 Training Agents – Insurers

~~14(1) Each insurer that is associated with a Tier 1 MGA or Tier 2 MGA is responsible for implementing and maintaining a training system reasonably designed to achieve the outcomes described in subsection 14(3).
process~~

~~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)12(1) 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 creates training to the extent the insurer and managing general agent have agreed and in accordance with all applicable materials with respect to the insurer's individual 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~~ are clear, accurate, and 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)(i) the agents associated with the insurer understand and, address at least the following with respect to paragraph (a), are able to explain to client~~ each product:

~~(a) the insurer's insurance contracts, including:~~

~~(i)(a)~~ _____ key features,

~~(ii)(b)~~ _____ costs,

~~(iii)(c)~~ _____ 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,~~

~~(ii) the~~ That the insurer provides the materials referred to in paragraph 1(1)(i) to Tier 1 MGAs associated with the insurer and the insurer makes them available to:

~~(a) Tier 2 MGAs associated with the insurer,~~

~~(b) Tier 3 MGAs associated with agents authorized to sell the insurer's individual insurance, and~~

~~(c) the agents the insurer authorizes to sell its individual insurance, and~~

~~(iii) That agents associated with the insurer receive and complete training to enable the agents to understand:~~

~~(b) the agents' obligations under all applicable insurance market,~~

~~(c) how to make product recommendations that meet client needs~~law, 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,~~

~~(a) what training the agents must complete before performing activities that require an agent's licence~~ their obligations with respect to the insurer's insurance continuing education, and

~~(b) the products they will be authorized to sell, and how to explain them accurately, including what training is required~~ at least the following with respect to each product:

~~(i) key features,~~

~~(ii) costs,~~

~~(iii) terms, conditions and exclusions.~~

~~(d) 12(2) An insurance contract the agent~~ insurer may sell or delegate activities with respect to which the agent may provide advice, the insurer's responsibilities under paragraphs, 12(1)(ii)(a), 12(1)(ii)(b), 12(1)(ii)(c) and 12(1)(iii) to a Tier 1 MGA if

~~(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,~~

~~(i) agents associated with the insurer's process described in subsection 1(1):~~

~~(a) is reasonably designed to confirm whether the Tier 1 MGA's compliance system is reasonably designed to ensure the delegated activities are carried out in accordance with:~~

~~(v)(i) the agreement between the insurer~~ comply with all applicable insurance law, and the Tier 1 MGA,

~~(ii) the agents associated with any instructions the insurer provides the Tier 1 MGA with respect to such activities, and~~

~~(iii) all applicable insurance law.~~

~~(b) continue to understand the information described in subsection (iv) as long as they are associated with if applicable, includes an assessment of whether the Tier 1 MGA's compliance system can be relied upon where the Tier 1 MGA further delegates to a Tier 2 MGA or Tier 3 MGA any activities with respect to this section, and~~

~~(c) either~~

~~(i) the insurer is satisfied the Tier 1 MGA's compliance system can reasonably be relied upon for these purposes, or~~

~~(vi)(ii) where the and complete insurer knows, or reasonably ought to know, a Tier 1 MGA's compliance system cannot be reasonably relied upon for any such purpose, the insurer takes appropriate ongoing training, and action in a timely and effective manner to address the gaps.~~

~~(vii) all training the insurer provides to its associated agents and prospective agents is clear, accurate, not misleading.~~

~~12(3) Subsection 14(1) An insurer may not delegate activities with respect to section 12 to a Tier 2 MGA or, with respect to individual insurance, to a Tier 3 MGA.~~

~~14(4)12(4) Section 12 establishes a responsibility responsibilities for insurers pursuant to paragraph 29.2(ii) of subsection 121.0.1(1) of the Act.~~

1513 Training Agents – Managing General Agent ~~Standards of Practice~~

~~15(1)13(1) Each managing general agent Any Tier 1 MGA that performs training of trains agents or prospective agents is responsible for implementing and maintaining a training process reasonably designed to achieve the following outcomes:~~

~~(i) That all training that the managing general agent Tier 1 MGA provides will be for individual insurance is clear, accurate, not misleading and will,~~

~~(a)(i) be is 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~~

~~(ii) what training the managing general agent will provide, if applicable, that the Tier 1 MGA will, on each insurer's request or, where the insurer and Tier 1 MGA have agreed upon timing for notification, when required by such agreement, notify the insurer of any changes made to that insurer's training materials described in paragraph 1(1)(i) by:~~

~~(a) the Tier 1 MGA,~~

~~(b) any Tier 2 MGA associated with that Tier 1 MGA, or~~

~~(c) any Tier 3 MGA associated with that Tier 1 MGA,~~

~~if the Tier 1 MGA or associated Tier 2 MGA uses or intends to use the modified training material to train agents or prospective agents, and~~

~~(iii) That where an insurer has delegated to the Tier 1 MGA the provision of training materials, all relevant training materials regarding individual~~

insurance are provided to Tier 2 MGAs, Tier 3 MGAs, agents and prospective agents associated with the Tier 1 MGA.

13(2) Any Tier 1 MGA to which an insurer delegates any activities with respect to training agents or prospective agents must complete before performing shall implement and maintain a process reasonably designed to ensure the Tier 1 MGA will fulfill these activities in accordance with:

- (i) the agreement between the insurer and the Tier 1 MGA,
- (ii) any instructions the insurer provides the Tier 1 MGA with respect to such activities that require an agent's licence with respect to each associated insurer's insurance, and
- (iii) all applicable insurance law.

13(3) Any Tier 1 MGA that trains agents or prospective agents is responsible for implementing and maintaining a process reasonably designed to achieve the following:

- (i) That agents associated with the Tier 1 MGA understand the products they will be authorized to sell, and how to explain them accurately, including any training that required at least the following with respect to each product:
 - (a) key features,
 - (b) costs,
 - (c) terms, conditions and exclusions,
- (ii) That agents and prospective agents associated with the Tier 1 MGA understand agents' obligations under all applicable insurance law,
- (iii) That the Tier 1 MGA will, on each insurer's request, provide that insurer with reports and information related to relevant training of all agents and prospective agents associated with the Tier 1 MGA.

13(4) A Tier 1 MGA may delegate activities with respect to section 13 to a Tier 2 MGA or Tier 3 MGA if the Tier 1 MGA's training process is reasonably designed to ensure the delegated activities will be carried out in compliance with applicable insurance laws, including the Tier 1 MGA's responsibilities under this section.

13(5) Any Tier 2 MGA to which a Tier 1 MGA or another Tier 2 MGA delegates duties with respect to training agents or prospective agents is responsible for implementing and maintaining a process reasonably designed to achieve the following:

(i) That all training that the Tier 2 MGA provides for individual insurance is clear, accurate, not misleading and is consistent with the outcomes in this Rule,

(ii) That the Tier 2 MGA will notify the delegating Tier 1 MGA or Tier 2 MGA of any changes made to that insurer's training materials described in paragraph 1(1)(i) by:

(a) the Tier 2 MGA,

(b) any other Tier 2 MGA associated with that Tier 2 MGA, or

(c) any Tier 3 MGA associated with that Tier 2 MGA,

if the Tier 2 or another associated Tier 2 MGA uses or intends to use the modified training material to train agents or prospective agents, and

(iii) That where a Tier 1 MGA has delegated to the Tier 2 MGA the provision of training materials, all relevant training materials regarding individual insurance are provided to Tier 2 MGAs, Tier 3 MGAs, agents and prospective agents associated with the Tier 2 MGA.

13(6) For contract the agent may sell or clarify, the Tier 2 MGA will provide the notification described in 13(5)(ii):

(i) on delegating Tier 1 MGA or Tier 2 MGA's request, and

(ii) where the Tier 2 MGA and the delegating Tier 1 MGA or Tier 2 MGA have agreed upon timing for notification, when required by such agreement,

13(7) Any Tier 2 MGA to which a Tier 1 MGA or another Tier 2 MGA delegates any activities with respect to training agents or prospective agents shall implement and maintain a process reasonably designed to ensure:

(i) the Tier 2 MGA will fulfill these activities in accordance with:

(a) the agreement between the delegating Tier 1 MGA or Tier 2 MGA and the delegated Tier 2 MGA,

(b) any instructions the delegating Tier 1 MGA or Tier 2 MGA provides the delegated Tier 2 MGA with respect to such activities, and

(c) all applicable insurance law.

(ii) ~~which the agent may~~ that the following outcomes will be achieved, to the extent they were delegated to the Tier 2 MGA:

(a) that agents associated with the Tier 2 MGA understand the products they will be authorized to sell, and how to explain them accurately, including at least the following with respect to each product:

(i) key features,

(ii) costs,

(iii) terms, conditions and exclusions,

(b) that agents and prospective agents associated with the Tier 2 MGA understand agents' obligations under all applicable insurance laws,

~~(b)~~(c) that the Tier 2 MGA will, on the request of the delegating Tier 1 MGA or Tier 2 MGA, provide advice that entity with reports and information related to relevant training of all agents and prospective agents associated with the Tier 2 MGA.

13(8) ~~Subsection 15(1)~~Where a Tier 1 MGA or Tier 2 MGA delegates activities with respect to section 13 to a Tier 2 MGA, the Tier 2 MGA to which the activities have been delegated, may only further delegate any such activities to another Tier 2 MGA or to a Tier 3 MGA if the training process of the Tier 2 MGA that is further delegating such activities is reasonably designed to ensure the delegated activities will be carried out in compliance with applicable insurance laws, including the Tier 1 or any Tier 2 MGA's responsibilities under this section 13.

13(9) Any Tier 3 MGA to which a Tier 1 MGA or Tier 2 MGA delegates any activities with respect to training agents or prospective agents with respect to individual insurance must complete the activities in accordance with applicable insurance law, including the relevant Tier 1 MGA's or Tier 2 MGA's

obligations under section 13 with respect to such agents and prospective agents.

13(10) Each Tier 1 MGA, Tier 2 and Tier 3 MGA must, upon request, provide reports and share information with respect to the training of agents and prospective agents associated with that Tier 1 MGA, Tier 2 MGA or Tier 3 MGA, with respect to individual insurance, to:

- (i) the insurers whose individual insurance products the agents or prospective agents are authorized to sell through that Tier 1 MGA, Tier 2 MGA or Tier 3 MGA, and
- (ii) if applicable, any other Tier 1 MGAs or Tier 2 MGAs who are associated with agents or prospective agents through that Tier 1 MGA, Tier 2 MGA or Tier 3 MGA.

13(11) A managing general agent's training process required by section 13 shall be reasonably designed to achieve the outcomes set out in the relevant subsection(s) of section 13 with regard to the size, complexity, operations, and risk profile of:

- (i) the managing general agent and the managing general agent's use of sub-managing general agents for the distribution of individual insurance, and
- (ii) the sub-managing general agents and agents associated with the managing general agent.

15(2)13(12) Section 13 sets out standards of practice that are prescribed under subsection 407.4(6) of the Act.

1614 Agents' Obligations

14(1) Each agent ~~that is and prospective agent~~ associated with ~~an insurer must, before performing activities that require an agent's licence one or more managing general agents~~ shall ensure that they do not act as agents with respect to ~~that insurer's individual~~ insurance, ~~complete unless:~~

(i) licensed by the Authority as an agent,

16(1)(ii) if the agent or prospective agent is an individual, this individual has completed all relevant 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) and~~

~~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.~~

~~(iii) the agent or prospective agent is authorized by the relevant insurer to sell the relevant insurance, whether or not the arrangement is documented through a written agreement.~~

~~16(3) Each agent that is associated with an insurer or managing general agent must, on the insurer's or managing general agent'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) 14(2) any information or documentation the insurer requests for the purpose of assessing whether the agent is suitable to carry on business as an agent, relevant to:~~

~~(ii) — evidence the agent has completed required training,~~

~~(iii) (i) 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 insurer meeting its obligations under this Rule, or~~

~~(ii)(iii) the managing general agent has completed required training, meeting its obligations to establish and maintain a compliance system under subsection 407.4(7) of the Act.~~

~~(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)~~14(3) Section ~~16~~14 establishes responsibilities for agents pursuant to sub paragraph 29.2(ii) of subsection 121.0.1(1) of the Act.

15 Insurers – Compliance System

An

~~17 Reporting Obligations~~

~~15(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 compliance system required by section 407.10 of the Act shall be reasonably designed to achieve the outcomes set out in section 407.10 of the Act and this section, with regard to the size, complexity, operations, and risk profile of:~~

~~(i) the insurer and the insurer's use of managing general agents for the distribution of its individual insurance, and~~

~~(ii) the managing general agent~~s~~, sub-managing general agents or and agents associated with the insurer.~~

~~15(2) Each insurer must have a system reasonably designed to achieve the following outcomes:~~

- (i) that the agents associated ~~agents have complied with the insurer~~ comply with all applicable insurance law.
- (ii) that the agents associated with the insurer are monitored on an ongoing basis so that the insurer can identify if an agent is unsuitable, and
- (iii) if the insurer has reasonable grounds to believe that an agent who acts on behalf of the insurer is not suitable to carry on business as an agent, that the insurer reports such unsuitability to the Chief Executive Officer and rectifies the unsuitability in a timely and effective manner.

15(3) Each insurer that is associated with agents who are authorized to sell the insurer's individual insurance must have a system reasonably designed to achieve the following outcomes:

- (i) that data with respect to ~~the insurer's insurance that is sold~~ conduct of agents associated with the insurer is monitored on an ongoing basis to identify patterns that may indicate potential non-compliance with any applicable insurance law,
- (ii) data or trends that suggest potential non-compliance with any applicable insurance law are investigated to identify any actual non-compliance, and

~~17(1)(iii)~~ where the investigation identifies an agent has not complied with any applicable insurance law and this non-compliance has led, or ~~solicited through the managing general agent~~ can reasonably be expected to lead, to consumer harm, the non-compliance is rectified in a timely and effective manner.

15(4) ~~Each insurer must, on the request of~~ if an insurer is associated with one or more Tier 1 MGAs, then that insurer's compliance system required by section 407.10 of the Act shall be reasonably designed to achieve the following outcomes with respect to individual insurance:

- (i) that these Tier 1 MGAs comply with all applicable insurance law,
- (ii) that before entering into an agreement with a person or entity to act as a Tier 1 MGA, the insurer will identify whether there are reasonable grounds to believe that person or entity is not suitable to carry on business as a managing general agent,

(iii) that Tier 1 MGAs associated with that insurer are monitored on an ongoing basis so that the insurer can identify if such a Tier 1 MGA is unsuitable or unlicensed, and

(iv) that if the insurer has reasonable grounds to believe that a Tier 1 MGA is not suitable to carry on business as a managing general agent, the insurer reports such unsuitability to the Chief Executive Officer and rectifies the unsuitability in a timely and effective manner.

15(5) An insurer will, upon request by a Tier 1 MGA associated with the insurer, provide reports to and share information with that Tier 1 MGA which are relevant to that Tier 1 MGA fulfilling its obligation to establish and maintain a compliance system under subsection 407.4(7) of the Act.

15(6) The compliance system required by section 407.10 of the Act shall include a client service continuity plan associated with that insurer, promptly provide the for clients who purchase individual insurance through a managing general agent associated with evidence that insurer who no longer fills that role.

17(2)15(7) The client service continuity plan required by subsection 15(6) shall be reasonably designed to ensure that all persons who were previously receiving service from agents who are associated with the insurer through the managing general agent have complied 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 with respect to the insurer's insurance that is sold or solicited through the managing general agent.

15(8) Each sub-managing general agent that An insurer may delegate activities under subsections 15(2) and 15(3) to a Tier 1 MGA if:

(i) the insurer's system described in section 407.10 of the Act:

(a) is associated reasonably designed to confirm whether the Tier 1 MGA's compliance system complies with subsection 16(9),

(b) if applicable, includes an assessment of whether the Tier 1 MGA's compliance system can be relied upon where the Tier 1 MGA further delegates to a Tier 2 MGA or a Tier 3 MGA any activities with respect to this section, and

(c) either

- (i) the insurer is satisfied the Tier 1 MGA's compliance system can reasonably be relied upon for these purposes, or
- (ii) where the insurer knows, or reasonably ought to know, a Tier 1 MGA's compliance system cannot be reasonably relied upon for any such purpose, the insurer takes appropriate action in a timely and effective manner to address the gaps.

15(9) An insurer may not delegate activities with respect to section 15 to a Tier 1 MGA, other than as provided for in subsection 15(8).

15(10) An insurer may not delegate its activities with respect to section 15 to a Tier 2 MGA or, with respect to individual insurance, to a Tier 3 MGA.

15(11) The obligations in subsections 15(2) and 15(3) are prescribed under section 121.0.1(1) paragraph 29.2(ii) of the Act

16 Managing General Agents – Compliance System

16(1) A managing general agent's compliance system required by subsection 407.4(7) of the Act shall be reasonably designed to achieve the outcomes set out in subsection 407.4(7) of the Act and in this section, with regard to the size, complexity, operations, and risk profile of:

- (i) the managing general agent ~~must, on~~ and the managing general agent's request, promptly provide the use of sub-managing general agent with evidence that agents for the distribution of individual insurance, and
- (ii) the sub-managing general agents ~~or~~ and agents who are associated with the managing general agent through the sub-managing general agent have complied with.

16(2) A Tier 1 MGA's compliance system required by subsection 407.4(7) of the Act shall be reasonably designed to achieve the following outcomes:

- 17(3)(i) that the agents associated with the Tier 1 MGA comply with all applicable insurance law ~~with respect to insurance that is sold or solicited through the managing general agent.~~

~~Each managing general agent must, on the request of a sub-managing general agent~~

- (ii) that agents associated with the Tier 1 MGA are monitored on an ongoing basis so that the Tier 1 MGA can identify if an agent is unsuitable, and
- (iii) that managing general agent, promptly provide the sub-managing general agent with evidence, if the Tier 1 MGA has reasonable grounds to believe that agents an agent who are is associated with the managing general agent through the sub-managing general agent have complied is not suitable to carry on business as an agent, the Tier 1 MGA reports such agent and grounds for belief the agent is unsuitable to the Chief Executive Officer and rectifies the unsuitability in a timely and effective manner.

16(3) A Tier 1 MGA's compliance system required by subsection 407.4(7) of the Act shall be reasonably designed to achieve the following outcomes with respect to individual insurance:

- 17(4)(i) that data with respect to conduct of agents associated with the managing general agent are monitored on an ongoing basis to identify patterns that may indicate potential non-compliance with all applicable insurance law that is sold or solicited through the sub-managing general agent.,
- (ii) data or trends that suggest potential non-compliance with any applicable insurance law are investigated to identify any actual non-compliance, and
- (iii) where the investigation identifies an agent has not complied with any applicable insurance law and this non-compliance has led, or can reasonably be expected to lead, to consumer harm, the non-compliance is rectified in a timely and effective manner.

16(4) A Tier 1 MGA's compliance system required by subsection 407.4(7) of the Act shall be reasonably designed to achieve the following outcomes with respect to individual insurance:

- (i) That Tier 2 MGAs and Tier 3 MGAs who are associated with that managing general agent comply with all applicable insurance law,
- (ii) That Tier 2 MGAs and Tier 3 MGAs who are associated with that Tier 1 MGA are monitored on an ongoing basis so that the Tier 1 MGA can identify if a Tier 2 MGA or Tier 3 MGA is unsuitable or unlicensed, and

(iii) That if the Tier 1 has reasonable grounds to believe that a Tier 2 MGA or Tier 3 MGA who is associated with that managing general agent is not suitable to carry on business as a managing general agent, that the managing general agent reports such unsuitability to the Chief Executive Officer and rectifies the unsuitability in a timely and effective manner.

16(5) A Tier 1 MGA will, upon request by an insurer it is associated with, provide reports and share information with that insurer which are relevant to that insurer fulfilling its obligation to establish and maintain a compliance system under section 407.10 of the Act.

16(6) A Tier 2 MGA or Tier 3 MGA will, upon request by a Tier 1 MGA or insurer it is associated with, provide reports and share information with that Tier 1 MGA or insurer which are relevant to that Tier 1 MGA or insurer fulfilling its obligation to establish and maintain a compliance system under subsection 407.4(7) or section 407.10 of the Act.

16(7) A Tier 1 MGA's compliance system required by subsection 407.4(7) of the Act shall include a client service continuity plan for clients who purchase individual insurance through a Tier 2 MGA or Tier 3 MGA associated with that Tier 1 MGA once the Tier 2 MGA or Tier 3 MGA no longer fills that role.

16(8) The client service continuity plan required by subsection 16(7) shall be reasonably designed to ensure that all persons who were previously receiving service from agents associated with a Tier 2 MGA or Tier 3 MGA 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.

16(9) Any Tier 1 MGA to which an insurer delegates any activities with respect to any MGA licensed activity shall implement and maintain a compliance system reasonably designed to ensure the Tier 1 MGA will fulfill these activities in accordance with

(i) the agreement between the insurer and the Tier 1 MGA,

(ii) any instructions the insurer provides the Tier 1 MGA with respect to such activities, and

(iii) all applicable insurance law.

16(10) A managing general agent may not delegate activities with respect to its responsibilities under section 16.

17 Reporting

17(1) On or before March 31 of every year, every managing general agent shall give the Chief Executive Officer an annual information return for the previous year in a form approved by the Chief Executive Officer.

17(2) When a Tier 1 MGA or Tier 2 MGA no longer has a designated compliance representative who meets the requirements under the Act and this Rule, that managing general agent must, within five (5) business days:

- (i) notify the Chief Executive Officer in writing of this fact,
- (ii) either appoint a new designated compliance representative who meets the criteria set out in section 7 or, where that is not possible in the time allotted, appoint a director or officer of the managing general agent, to carry out the responsibilities of a designated compliance representative pursuant to the Act and this Rule in the interim,
- (iii) where the managing general agent appoints an interim representative as described in subsection (ii), inform the Chief Executive Officer in writing how the managing general agent plans to replace the designated compliance representative, and
- (iv) notify the Chief Executive Officer in writing once the new designated compliance representative is in place.

17(3) A managing general agent shall provide updated information in writing to the Chief Executive Officer if any of the following changes occur:

- (i) the managing general agent changes its mailing address in Ontario,
- (ii) the managing general agent changes its email address, telephone number or facsimile number,
- (iii) if the managing general agent is a corporation, the corporation changes one or more of its directors or officers, or
- (iv) if the managing general agent is a partnership, the partnership changes one or more of its partners.

17(4) The managing general agent shall give the Chief Executive Officer the information referred to in subsection 17(3) within five (5) business days after the day the relevant change occurs.

~~17(5) The 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.~~
17(5) reporting obligations in this section are prescribed under section 407.4(5) of the Act, and are in addition to the reporting obligation set out in section 407.4(12) 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 78 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

- (iii) as a managing general agent under subsection ~~(ii)~~ 18(1)(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)~~ 18(1)(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)~~ 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(1).

18(9) The following provisions of this Rule will take effect when the Rule comes into force:

(i) ~~subsection 1(1)~~ subsections 1(1) and 1(2)1(3) [definitions];

(ii) subsection 1(2) [which explains which obligations apply to an entity that is both a Tier 1 MGA and a Tier 2 MGA in different circumstances]

~~(ii)~~(iii) subsections 1(3)1(4), 1(4)1(5) and 1(5)1(6) [which explain when insurers, managing general agents, sub-managing general agents and agents are associated with one another];

~~(iii)~~(iv) paragraph 1(6)(i)1(7)(i) [obligations under this Rule apply to unlicensed people performing MGA licensed activity]

~~(iv)~~(v) paragraph 1(6)(ii)1(7)(ii) [obligations of managing general agents also apply to sub-managing general agents]

~~(v)~~(vi) subsection 1(7)1(8) [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)1(9) [use of the phrase “sufficient information”]

~~(viii)~~ section 22 [Application responsibility for delegated activities]

~~(viii)~~(ix) section 3 [application of Rule]

~~(ix)~~(x) section 34 [licensing eligibility criteria],]

~~(x)~~(xi) section 45 [suitability for licensing], ~~and~~]

~~(xi)~~(xii) section 56 [licensing expiry and renewal],]

18(10) Despite section 34 and paragraph ~~18(9)(ix)~~18(9)(x) 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 916 but the applicant:

- (i) has designed and documented a compliance system as described in section 916, and
- (ii) attests the compliance system will be in effect by the End of Transition Date.

18(11) Despite section 34 and paragraph ~~18(9)(ix)~~18(9)(x) 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 916 if the applicant:

- (i) has designed and documented a compliance system as described in section ~~9,16~~, 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 67 [designated compliance representative], and
- (ii) section 78 [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)~~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~~ 7 and 8 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.

**Appendix C – Text of the Revised L&H MGA Rule [2025-001]
Life and Health Managing General Agents (Clean Version)**

**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, under the Act,
- (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,
- (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 twenty-four (24) months after this Rule takes effect,
- (vii) “Licence Application Deadline” means the date six (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,
- (x) “Tier 1 MGA” means a managing general agent that:

- (a) facilitates the sale of life or accident and sickness insurance by engaging in any of the following activities, or holds themselves out as doing so:
 - (i) recruiting agents or prospective agents who are or will be authorized to sell individual insurance,
 - (ii) screening agents or prospective agents, who are or will be authorized to sell individual insurance, to confirm the agent is suitable to carry on business as an agent,
 - (iii) providing training to agents who are or will be authorized to sell individual insurance, or
 - (iv) supervising or monitoring the activities of agents who are or will be authorized to sell individual insurance, and
 - (b) performs these activities, or holds itself out as performing these activities, pursuant to an agreement between that managing general agent and an insurer,
- (xi) “Tier 2 MGA” means a managing general agent that:
- (a) is not a Tier 1 MGA, and
 - (b) facilitates the sale of life or accident and sickness insurance by engaging in any of the following activities, or holds themselves out as doing so, pursuant to an agreement with another managing general agent:
 - (i) recruiting agents or prospective agents who are or will be authorized to sell individual insurance,
 - (ii) screening agents or prospective agents, who are or will be authorized to sell individual insurance, to confirm the agent is suitable to carry on business as an agent,
 - (iii) providing training to agents who are or will be authorized to sell individual insurance, or
 - (iv) supervising or monitoring the activities of agents who are or will be authorized to sell individual insurance, and

- (xii) “Tier 3 MGA” means a managing general agent that is neither a Tier 1 MGA nor a Tier 2 MGA.
- 1(2) If an entity is both a Tier 1 MGA and a Tier 2 MGA regarding different insurers, or different insurance products, or both, the entity must:
- (i) adhere to the provisions of this Rule that apply to Tier 1 MGAs with respect to the insurer and/or insurance products for which the entity is a Tier 1 MGA, and
 - (ii) adhere to the provisions of this Rule that apply to Tier 2 MGAs under this Rule with respect to the insurer and/or insurance products for which the entity is a Tier 2 MGA.
- 1(3) 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(4) 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 1(4)(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(5) 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 1(5)(i)(a) or the sub-managing general agents in paragraph 1(5)(i)(b) document these arrangements through written agreements.
- (ii) For further clarity, neither of the sub-managing general agents in paragraph 1(5)(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(6) 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 paragraph 1(6)(i)(a), 1(6)(i)(b) or 1(6)(i)(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 that 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 that insurer.

1(7) 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(8) 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(9) In this Rule, “sufficient information” to assess whether a person is suitable to be licensed as an agent includes:
- (i) information 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 or enforcement,
 - (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 law, including, where the person is an individual, evidence the person has completed the training required under sections 4 and 14 of the Agents Regulation and under this Rule,
 - (d) will carry on business in accordance with all applicable law, and
 - (e) 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 Responsibility for Delegated Activities

- 2(1) Where a managing general agent delegates responsibilities or activities related to the managing general agent's obligations under any applicable insurance law, that delegation does not relieve the managing general agent from its obligations under any applicable insurance law.
- 2(2) Where an insurer delegates responsibilities or activities related to the insurer's obligations under any applicable insurance law, that delegation does not relieve the insurer from its obligations under any applicable insurance law.

3 Application

- 3(1) This Rule applies to:
 - (i) insurers that are required to be 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 and prospective 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 3(1)(iv)to sell or solicit such insurance to be issued by any such insurer.

4 Managing General Agents – Licensing: Eligibility Criteria

- 4(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 5 of this Rule,
 - (ii) the applicant designates an individual to be the applicant's designated compliance representative who meets the requirements under subsections 407.4(13) and (14) of the Act, including requirements under section 7 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 subsections 407.4(7), (8) and (9) of the Act, including requirements in section 16 of this Rule, and the individual to be designated as the applicant's designated compliance representative attests the applicant's compliance system meets these requirements,
 - (iv) the applicant provides proof, in a form approved by the Chief Executive Officer, that the applicant has insurance which meets requirements in section 8 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.
- 4(2) Individuals may only perform MGA licensed activities on behalf of a managing general agent 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.

5 Managing General Agents – Licensing: Suitability

- 5(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 shall 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, and
- (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.

5(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 5(2)(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.

6 Managing General Agents – Licensing: Expiry and Renewal

- 6(1) A managing general agent licence expires on the date specified on the licence, if any.
- 6(2) If there is no expiry date specified on a managing general agent licence, then the managing general agent licence will expire on the second anniversary of the date it took effect.
- 6(3) An application for renewal of a licence shall be made in the same manner as for a licence in the first instance.

7 Managing General Agents – Designated Compliance Representatives

- 7(1) The duties of a designated compliance representative of a Tier 1 MGA and a Tier 2 MGA under subsection 407.4(13) of the Act include:
 - (i) overseeing, implementing, monitoring, and periodically updating the managing general agent's compliance system required by subsection 407.4(7) of the Act, including compliance system obligations as further provided in this Rule,
 - (ii) ensuring that the managing general agent takes reasonable steps to deal with any contravention of any applicable insurance law by the managing general agent, or by a sub-managing general agent or agent associated with that managing general agent, and
 - (iii) acting honestly and with integrity with respect to the execution of the designated compliance representative's duties.
- 7(2) For the purposes of subsection 407.4(14) of the Act, an individual is eligible to act as a Tier 1 MGA's or Tier 2 MGA's designated compliance representative only if the individual satisfies the following criteria:
 - (i) the individual has the knowledge, experience, character, resources and authority, and is otherwise able to appropriately perform the duties set out in subsection 7(1), and,

- (ii) the individual understands all regulatory responsibilities associated with the requirements to be licensed and carry on business as both an agent and a managing general agent under all applicable insurance law.

7(3) For the purposes of subsection 407.4(14) of the Act, any individual is eligible to act as a Tier 3 MGA's designated compliance representative unless there are reasonable grounds for the belief that the individual will not carry out their duties as a designated compliance representative in accordance with all applicable law or with integrity and honesty.

8 Managing General Agents – Insurance

8(1) A managing general agent shall maintain general liability insurance and 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:

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

9 Recruiting Agents – Managing general agents – Standards of Practice

9(1) Any Tier 1 MGA and Tier 2 MGA that recruits agents or prospective agents to sell individual insurance must implement and maintain a recruiting process reasonably designed to ensure that if the Tier 1 MGA or Tier 2 MGA becomes associated with any agents or prospective agents:

- (i) the agents and prospective agents will not act as agents until and unless they are licensed as agents, trained as required under subsection 14(1)(ii) and authorized to act for the relevant insurer(s), and
- (ii) there are reasonable grounds for the belief that the agents and prospective agents will carry on business in accordance with all applicable law.

9(2) Each Tier 2 MGA that recruits agents or prospective agents to sell individual insurance must implement and maintain a recruiting process reasonably designed to ensure the Tier 2 MGA will, upon request, provide the relevant

Tier 1 MGA the information and reports the Tier 1 MGA needs to fulfil its obligations under subsection 9(1) with respect to such prospective agents.

- 9(3) A managing general agent's recruiting process required by section 9 shall be reasonably designed to achieve the outcomes set out in the relevant subsection with regard to the size, complexity, operations, and risk profile of:
- (i) the managing general agent and the managing general agent's use of sub-managing general agents for the distribution of individual insurance, and
 - (ii) the sub-managing general agents and agents associated with the managing general agent.
- 9(4) Section 9 sets out standards of practice that are prescribed under subsection 407.4(6) of the Act.

10 Screening – Insurers

- 10(1) Each insurer that is associated with a Tier 1 MGA or Tier 2 MGA is responsible for implementing and maintaining a process reasonably designed to ensure no agent or prospective agent associated with that insurer performs activities with respect to that insurer's insurance which require an agent's licence until:
- (i) if the insurer will be required to sponsor the person's licence pursuant to the Agents Regulation:
 - (a) the insurer has reviewed sufficient information to assess whether this person is suitable to carry on business as an agent, and
 - (b) the insurer has concluded the person is suitable for this purpose,
 - (ii) if the insurer will not be required to sponsor the person's licence pursuant to the Agents Regulation, either:
 - (a) the insurer has completed the steps specified in paragraph 10(1)(i),
or
 - (b) the insurer has delegated the activities in paragraph 10(1)(i) to a Tier 1 MGA and the Tier 1 MGA has:

- (i) reviewed sufficient information to assess whether this person is suitable to carry on business as an agent, and
- (ii) concluded the person is suitable for this purpose.

10(2) An insurer may delegate activities to a Tier 1 MGA with respect to screening, except the insurer's duties regarding sponsored agents under paragraph 10(1)(i), and may rely for the purpose of this section on information the Tier 1 MGA provides, if:

- (i) the insurer's process described in subsection 10(1):
 - (a) is reasonably designed to confirm whether the Tier 1 MGA's compliance system is reasonably designed to ensure the delegated activities are carried out in accordance with:
 - (i) the agreement between the insurer and the Tier 1 MGA,
 - (ii) any instructions the insurer provides the Tier 1 MGA with respect to such activities, and
 - (iii) all applicable law,
 - (b) is reasonably designed to ensure any information the insurer receives from the Tier 1 MGA and relies upon with respect to such delegation is accurate and sufficiently complete for the purpose,
 - (c) includes an assessment of whether the Tier 1 MGA's compliance system can be relied upon where the Tier 1 MGA further delegates to a Tier 2 MGA or a Tier 3 MGA any activities with respect to this section, if applicable, and
 - (d) either,
 - (i) the insurer is satisfied the Tier 1 MGA's compliance system can reasonably be relied upon for the purposes set out in paragraphs (a) and (b) even where activities are further delegated as described in paragraph (c), or
 - (ii) where the insurer knows, or reasonably ought to know, a Tier 1 MGA's compliance system cannot be reasonably relied upon for any such purpose, the insurer takes appropriate action in a timely and effective manner to address the gaps.

10(3) An insurer may not delegate its activities under subsection 10(1) to a Tier 2 MGA or, with respect to individual insurance, to a Tier 3 MGA.

10(4) Section 10 establishes responsibilities for insurers pursuant to sub paragraph 29.2(ii) of subsection 121.0.1(1) of the Act.

11 Screening – Managing General Agents – Standards of Practice

11(1) Any Tier 1 MGA to which an insurer delegates any activities with respect to screening agents or prospective agents shall implement and maintain a screening process reasonably designed to ensure that:

- (i) if the Tier 1 MGA becomes associated with any agents or prospective agents:
 - (a) the agents or prospective agents will not act as agents until and unless either the relevant insurer or, where the insurer has delegated this activity to the Tier 1 MGA under subsection 10(2), the Tier 1 MGA has:
 - (i) reviewed sufficient information to assess whether this person is suitable to carry on business as an agent, and
 - (ii) concluded the person is suitable for this purpose,
 - (ii) the Tier 1 MGA will complete these activities in accordance with all applicable law,
 - (iii) if the insurer delegates to the Tier 1 MGA the activity of making a recommendation to the insurer about whether a person is suitable to carry on business as an agent:
 - (a) the Tier 1 MGA will only make such a recommendation after the Tier 1 MGA reviews sufficient information to assess whether this person is suitable to carry on business as an agent, and concludes whether the person is suitable, and
 - (b) only make a recommendation consistent with the Tier 1 MGA's conclusions.

- 11(2) A Tier 1 MGA shall not delegate to a Tier 2 MGA or Tier 3 MGA the activity of deciding whether a person is suitable to carry on business as an agent or making a recommendation about whether a person is suitable.
- 11(3) A Tier 1 MGA may delegate to a Tier 2 MGA or Tier 3 MGA activities with respect to gathering information about whether a person is suitable to carry on business as an agent only if the Tier 1 MGA's screening process is reasonably designed to ensure the delegated activities will be carried out in compliance with applicable insurance laws, including the Tier 1 MGA's responsibilities under this section.
- 11(4) Any Tier 2 MGA to which a Tier 1 MGA delegates any activities with respect to screening agents or prospective agents shall implement and maintain a screening process reasonably designed to ensure that:
- (i) if the Tier 2 MGA becomes associated with any agents or prospective agents, then:
 - (a) the agents or prospective agents will not act as agents until and unless either the relevant insurer or, where the insurer has delegated this activity to the Tier 1 MGA under subsection 10(2), the Tier 1 MGA has:
 - (i) reviewed sufficient information to assess whether this person is suitable to carry on business as an agent, and
 - (ii) concluded the person is suitable for this purpose, and
 - (ii) the Tier 2 MGA will complete the delegated activities in accordance with all applicable law.
- 11(5) Where a Tier 1 MGA delegates any activities with respect to section 11 to a Tier 2 MGA, that Tier 2 MGA may only further delegate any such activities to another Tier 2 MGA or Tier 3 MGA if the delegating Tier 2 MGA's screening process is reasonably designed to ensure the delegated activities will be carried out in accordance with applicable insurance laws, including the Tier 1 MGA's and the delegating Tier 2 MGA's responsibilities under this section.
- 11(6) Any Tier 2 MGA and Tier 3 MGA to which a Tier 1 MGA or Tier 2 MGA delegates any activities with respect to screening agents or prospective agents must complete the activities in accordance with applicable insurance law, including the Tier 1 MGA's and, where applicable, the delegating Tier 2

MGA's obligations under section 11 with respect to such agents and prospective agents.

- 11(7) Each Tier 1 MGA, Tier 2 MGA and Tier 3 MGA must, upon request, provide reports and share information with respect to the suitability of agents and prospective agents associated with that Tier 1 MGA, Tier 2 MGA or Tier 3 MGA with:
- (i) the insurers whose products the agents or prospective agents are authorized to sell through that Tier 1 MGA, Tier 2 MGA or Tier 3 MGA, and,
 - (ii) if applicable, any Tier 1 MGAs, Tier 2 MGAs or Tier 3 MGAs, who are associated with agents or prospective agents through that Tier 1 MGA, Tier 2 MGA or Tier 3 MGA.
- 11(8) A managing general agent's screening process required by section 11 shall be reasonably designed to achieve the outcomes set out in the relevant subsection(s) of section 11 with regard to the size, complexity, operations, and risk profile of:
- (i) the managing general agent and the managing general agent's use of sub-managing general agents for the distribution of individual insurance, and
 - (ii) the sub-managing general agents and agents associated with the managing general agent.
- 11(9) Section 11 sets out standards of practice that are prescribed under subsection 407.4(6) of the Act.

12 Training Agents – Insurers

- 12(1) Each insurer that is associated with a Tier 1 MGA or Tier 2 MGA is responsible for implementing and maintaining a process reasonably designed to achieve the following:
- (i) That the insurer creates training materials with respect to the insurer's individual insurance that are clear, accurate and not misleading and address at least the following with respect to each product:
 - (a) key features,

- (b) costs,
 - (c) terms, conditions and exclusions,
- (ii) That the insurer provides the materials referred to in paragraph 12(1)(i) to Tier 1 MGAs associated with the insurer and the insurer makes them available to:
 - (a) Tier 2 MGAs associated with the insurer,
 - (b) Tier 3 MGAs associated with agents authorized to sell the insurer's individual insurance, and
 - (c) the agents the insurer authorizes to sell its individual insurance, and
- (iii) That agents associated with the insurer receive and complete training to enable the agents to understand:
 - (a) the agents' obligations under all applicable insurance law, including their obligations with respect to continuing education, and
 - (b) the products they will be authorized to sell, and how to explain them accurately, including at least the following with respect to each product:
 - (i) key features,
 - (ii) costs,
 - (iii) terms, conditions and exclusions.

12(2) An insurer may delegate activities with respect to the insurer's responsibilities under paragraphs, 12(1)(ii)(a), 12(1)(ii)(b), 12(1)(ii)(c) and 12(1)(iii) to a Tier 1 MGA if

- (i) the insurer's process described in subsection 12(1):
 - (a) is reasonably designed to confirm whether the Tier 1 MGA's compliance system is reasonably designed to ensure the delegated activities are carried out in accordance with:
 - (i) the agreement between the insurer and the Tier 1 MGA,

- (ii) any instructions the insurer provides the Tier 1 MGA with respect to such activities, and
 - (iii) all applicable insurance law,
- (b) if applicable, includes an assessment of whether the Tier 1 MGA's compliance system can be relied upon where the Tier 1 MGA further delegates to a Tier 2 MGA or Tier 3 MGA any activities with respect to this section, and
- (c) either
 - (i) the insurer is satisfied the Tier 1 MGA's compliance system can reasonably be relied upon for these purposes, or
 - (ii) where the insurer knows, or reasonably ought to know, a Tier 1 MGA's compliance system cannot be reasonably relied upon for any such purpose, the insurer takes appropriate action in a timely and effective manner to address the gaps.

12(3) An insurer may not delegate activities with respect to section 12 to a Tier 2 MGA or, with respect to individual insurance, to a Tier 3 MGA.

12(4) Section 12 establishes responsibilities for insurers pursuant to paragraph 29.2(ii) of subsection 121.0.1(1) of the Act.

13 Training Agents – Managing General Agent

13(1) Any Tier 1 MGA that trains agents or prospective agents is responsible for implementing and maintaining a process reasonably designed to achieve the following:

- (i) That all training that the Tier 1 MGA provides for individual insurance is clear, accurate, not misleading and is consistent with the outcomes in this Rule,
- (ii) That the Tier 1 MGA will, on each insurer's request or, where the insurer and Tier 1 MGA have agreed upon timing for notification, when required by such agreement, notify the insurer of any changes made to that insurer's training materials described in paragraph 12(1)(i) by:

(a) the Tier 1 MGA,

(b) any Tier 2 MGA associated with that Tier 1 MGA, or

(c) any Tier 3 MGA associated with that Tier 1 MGA,

if the Tier 1 MGA or associated Tier 2 MGA uses or intends to use the modified training material to train agents or prospective agents, and

(iii) That where an insurer has delegated to the Tier 1 MGA the provision of training materials, all relevant training materials regarding individual insurance are provided to Tier 2 MGAs, Tier 3 MGAs, agents and prospective agents associated with the Tier 1 MGA.

13(2) Any Tier 1 MGA to which an insurer delegates any activities with respect to training agents or prospective agents shall implement and maintain a process reasonably designed to ensure the Tier 1 MGA will fulfill these activities in accordance with:

(i) the agreement between the insurer and the Tier 1 MGA,

(ii) any instructions the insurer provides the Tier 1 MGA with respect to such activities, and

(iii) all applicable insurance law.

13(3) Any Tier 1 MGA that trains agents or prospective agents is responsible for implementing and maintaining a process reasonably designed to achieve the following:

(i) That agents associated with the Tier 1 MGA understand the products they will be authorized to sell, and how to explain them accurately, including at least the following with respect to each product:

(a) key features,

(b) costs,

(c) terms, conditions and exclusions,

(ii) That agents and prospective agents associated with the Tier 1 MGA understand agents' obligations under all applicable insurance law,

- (iii) That the Tier 1 MGA will, on each insurer's request, provide that insurer with reports and information related to relevant training of all agents and prospective agents associated with the Tier 1 MGA.
- 13(4) A Tier 1 MGA may delegate activities with respect to section 13 to a Tier 2 MGA or Tier 3 MGA if the Tier 1 MGA's training process is reasonably designed to ensure the delegated activities will be carried out in compliance with applicable insurance laws, including the Tier 1 MGA's responsibilities under this section.
- 13(5) Any Tier 2 MGA to which a Tier 1 MGA or another Tier 2 MGA delegates duties with respect to training agents or prospective agents is responsible for implementing and maintaining a process reasonably designed to achieve the following:
- (i) That all training that the Tier 2 MGA provides for individual insurance is clear, accurate, not misleading and is consistent with the outcomes in this Rule,
 - (ii) That the Tier 2 MGA will notify the delegating Tier 1 MGA or Tier 2 MGA of any changes made to that insurer's training materials described in paragraph 12(1)(i) by:
 - (a) the Tier 2 MGA,
 - (b) any other Tier 2 MGA associated with that Tier 2 MGA, or
 - (c) any Tier 3 MGA associated with that Tier 2 MGA,if the Tier 2 or another associated Tier 2 MGA uses or intends to use the modified training material to train agents or prospective agents, and
 - (iii) That where a Tier 1 MGA has delegated to the Tier 2 MGA the provision of training materials, all relevant training materials regarding individual insurance are provided to Tier 2 MGAs, Tier 3 MGAs, agents and prospective agents associated with the Tier 2 MGA.
- 13(6) For clarity, the Tier 2 MGA will provide the notification described in 13(5)(ii):
- (i) on delegating Tier 1 MGA or Tier 2 MGA's request, and

- (ii) where the Tier 2 MGA and the delegating Tier 1 MGA or Tier 2 MGA have agreed upon timing for notification, when required by such agreement,
- 13(7) Any Tier 2 MGA to which a Tier 1 MGA or another Tier 2 MGA delegates any activities with respect to training agents or prospective agents shall implement and maintain a process reasonably designed to ensure:
 - (i) the Tier 2 MGA will fulfill these activities in accordance with:
 - (a) the agreement between the delegating Tier 1 MGA or Tier 2 MGA and the delegated Tier 2 MGA,
 - (b) any instructions the delegating Tier 1 MGA or Tier 2 MGA provides the delegated Tier 2 MGA with respect to such activities, and
 - (c) all applicable insurance law,
 - (ii) that the following outcomes will be achieved, to the extent they were delegated to the Tier 2 MGA:
 - (a) that agents associated with the Tier 2 MGA understand the products they will be authorized to sell, and how to explain them accurately, including at least the following with respect to each product:
 - (i) key features,
 - (ii) costs,
 - (iii) terms, conditions and exclusions,
 - (b) that agents and prospective agents associated with the Tier 2 MGA understand agents' obligations under all applicable insurance laws,
 - (c) that the Tier 2 MGA will, on the request of the delegating Tier 1 MGA or Tier 2 MGA, provide that entity with reports and information related to relevant training of all agents and prospective agents associated with the Tier 2 MGA.
- 13(8) Where a Tier 1 MGA or Tier 2 MGA delegates activities with respect to section 13 to a Tier 2 MGA, the Tier 2 MGA to which the activities have been delegated, may only further delegate any such activities to another Tier 2 MGA or to a Tier 3 MGA if the training process of the Tier 2 MGA that is

further delegating such activities is reasonably designed to ensure the delegated activities will be carried out in compliance with applicable insurance laws, including the Tier 1 or any Tier 2 MGA's responsibilities under this section 13.

13(9) Any Tier 3 MGA to which a Tier 1 MGA or Tier 2 MGA delegates any activities with respect to training agents or prospective agents with respect to individual insurance must complete the activities in accordance with applicable insurance law, including the relevant Tier 1 MGA's or Tier 2 MGA's obligations under section 13 with respect to such agents and prospective agents.

13(10) Each Tier 1 MGA, Tier 2 and Tier 3 MGA must, upon request, provide reports and share information with respect to the training of agents and prospective agents associated with that Tier 1 MGA, Tier 2 MGA or Tier 3 MGA, with respect to individual insurance, to:

- (i) the insurers whose individual insurance products the agents or prospective agents are authorized to sell through that Tier 1 MGA, Tier 2 MGA or Tier 3 MGA, and
- (ii) if applicable, any other Tier 1 MGAs or Tier 2 MGAs who are associated with agents or prospective agents through that Tier 1 MGA, Tier 2 MGA or Tier 3 MGA.

13(11) A managing general agent's training process required by section 13 shall be reasonably designed to achieve the outcomes set out in the relevant subsection(s) of section 13 with regard to the size, complexity, operations, and risk profile of:

- (i) the managing general agent and the managing general agent's use of sub-managing general agents for the distribution of individual insurance, and
- (ii) the sub-managing general agents and agents associated with the managing general agent.

13(12) Section 13 sets out standards of practice that are prescribed under subsection 407.4(6) of the Act.

14 Agents' Obligations

14(1) Each agent and prospective agent associated with one or more managing general agents shall ensure that they do not act as agents with respect to individual insurance unless:

- (i) licensed by the Authority as an agent,
- (ii) if the agent or prospective agent is an individual, this individual has completed all relevant training required under this Rule, and
- (iii) the agent or prospective agent is authorized by the relevant insurer to sell the relevant insurance, whether or not the arrangement is documented through a written agreement.

14(2) Each agent that is associated with an insurer or managing general agent must, on the insurer's or managing general agent's request, promptly provide any information or documentation relevant to:

- (i) assessing whether the agent is suitable to carry on business as an agent,
- (ii) the insurer meeting its obligations under this Rule, or
- (iii) the managing general agent meeting its obligations to establish and maintain a compliance system under subsection 407.4(7) of the Act.

14(3) Section 14 establishes responsibilities for agents pursuant to sub paragraph 29.2(ii) of subsection 121.0.1(1) of the Act.

15 Insurers – Compliance System

15(1) An insurer's compliance system required by section 407.10 of the Act shall be reasonably designed to achieve the outcomes set out in section 407.10 of the Act and this section, with regard to the size, complexity, operations, and risk profile of:

- (i) the insurer and the insurer's use of managing general agents for the distribution of its individual insurance, and
- (ii) the managing general agents, sub-managing general agents and agents associated with the insurer.

15(2) Each insurer must have a system reasonably designed to achieve the following outcomes:

- (i) that the agents associated with the insurer comply with all applicable insurance law,
- (ii) that the agents associated with the insurer are monitored on an ongoing basis so that the insurer can identify if an agent is unsuitable, and
- (iii) if the insurer has reasonable grounds to believe that an agent who acts on behalf of the insurer is not suitable to carry on business as an agent, that the insurer reports such unsuitability to the Chief Executive Officer and rectifies the unsuitability in a timely and effective manner.

15(3) Each insurer that is associated with agents who are authorized to sell the insurer's individual insurance must have a system reasonably designed to achieve the following outcomes:

- (i) that data with respect to conduct of agents associated with the insurer is monitored on an ongoing basis to identify patterns that may indicate potential non-compliance with any applicable insurance law,
- (ii) data or trends that suggest potential non-compliance with any applicable insurance law are investigated to identify any actual non-compliance, and
- (iii) where the investigation identifies an agent has not complied with any applicable insurance law and this non-compliance has led, or can reasonably be expected to lead, to consumer harm, the non-compliance is rectified in a timely and effective manner.

15(4) If an insurer is associated with one or more Tier 1 MGAs, then that insurer's compliance system required by section 407.10 of the Act shall be reasonably designed to achieve the following outcomes with respect to individual insurance:

- (i) that these Tier 1 MGAs comply with all applicable insurance law,
- (ii) that before entering into an agreement with a person or entity to act as a Tier 1 MGA, the insurer will identify whether there are reasonable grounds to believe that person or entity is not suitable to carry on business as a managing general agent,

- (iii) that Tier 1 MGAs associated with that insurer are monitored on an ongoing basis so that the insurer can identify if such a Tier 1 MGA is unsuitable or unlicensed, and
 - (iv) that if the insurer has reasonable grounds to believe that a Tier 1 MGA is not suitable to carry on business as a managing general agent, the insurer reports such unsuitability to the Chief Executive Officer and rectifies the unsuitability in a timely and effective manner.
- 15(5) An insurer will, upon request by a Tier 1 MGA associated with the insurer, provide reports to and share information with that Tier 1 MGA which are relevant to that Tier 1 MGA fulfilling its obligation to establish and maintain a compliance system under subsection 407.4(7) of the Act.
- 15(6) The compliance system required by section 407.10 of the Act shall include a client service continuity plan for clients who purchase individual insurance through a managing general agent associated with that insurer who no longer fills that role.
- 15(7) The client service continuity plan required by subsection 15(6) 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.
- 15(8) An insurer may delegate activities under subsections 15(2) and 15(3) to a Tier 1 MGA if:
 - (i) the insurer's system described in section 407.10 of the Act:
 - (a) is reasonably designed to confirm whether the Tier 1 MGA's compliance system complies with subsection 16(9),
 - (b) if applicable, includes an assessment of whether the Tier 1 MGA's compliance system can be relied upon where the Tier 1 MGA further delegates to a Tier 2 MGA or a Tier 3 MGA any activities with respect to this section, and
 - (c) either
 - (i) the insurer is satisfied the Tier 1 MGA's compliance system can reasonably be relied upon for these purposes, or

- (ii) where the insurer knows, or reasonably ought to know, a Tier 1 MGA's compliance system cannot be reasonably relied upon for any such purpose, the insurer takes appropriate action in a timely and effective manner to address the gaps.

15(9) An insurer may not delegate activities with respect to section 15 to a Tier 1 MGA, other than as provided for in subsection 15(8).

15(10) An insurer may not delegate its activities with respect to section 15 to a Tier 2 MGA or, with respect to individual insurance, to a Tier 3 MGA.

15(11) The obligations in subsections 15(2) and 15(3) are prescribed under section 121.0.1(1) paragraph 29.2(ii) of the Act

16 Managing General Agents – Compliance System

16(1) A managing general agent's compliance system required by subsection 407.4(7) of the Act shall be reasonably designed to achieve the outcomes set out in subsection 407.4(7) of the Act and in this section, with regard to the size, complexity, operations, and risk profile of:

- (i) the managing general agent and the managing general agent's use of sub-managing general agents for the distribution of individual insurance, and
- (ii) the sub-managing general agents and agents associated with the managing general agent.

16(2) A Tier 1 MGA's compliance system required by subsection 407.4(7) of the Act shall be reasonably designed to achieve the following outcomes:

- (i) that the agents associated with the Tier 1 MGA comply with all applicable insurance law,
- (ii) that agents associated with the Tier 1 MGA are monitored on an ongoing basis so that the Tier 1 MGA can identify if an agent is unsuitable, and
- (iii) that, if the Tier 1 MGA has reasonable grounds to believe that an agent who is associated with the managing general agent is not suitable to carry on business as an agent, the Tier 1 MGA reports such agent and

grounds for belief the agent is unsuitable to the Chief Executive Officer and rectifies the unsuitability in a timely and effective manner.

16(3) A Tier 1 MGA's compliance system required by subsection 407.4(7) of the Act shall be reasonably designed to achieve the following outcomes with respect to individual insurance:

- (i) that data with respect to conduct of agents associated with the managing general agent are monitored on an ongoing basis to identify patterns that may indicate potential non-compliance with all applicable insurance law,
- (ii) data or trends that suggest potential non-compliance with any applicable insurance law are investigated to identify any actual non-compliance, and
- (iii) where the investigation identifies an agent has not complied with any applicable insurance law and this non-compliance has led, or can reasonably be expected to lead, to consumer harm, the non-compliance is rectified in a timely and effective manner.

16(4) A Tier 1 MGA's compliance system required by subsection 407.4(7) of the Act shall be reasonably designed to achieve the following outcomes with respect to individual insurance:

- (i) That Tier 2 MGAs and Tier 3 MGAs who are associated with that managing general agent comply with all applicable insurance law,
- (ii) That Tier 2 MGAs and Tier 3 MGAs who are associated with that Tier 1 MGA are monitored on an ongoing basis so that the Tier 1 MGA can identify if a Tier 2 MGA or Tier 3 MGA is unsuitable or unlicensed, and
- (iii) That if the Tier 1 has reasonable grounds to believe that a Tier 2 MGA or Tier 3 MGA who is associated with that managing general agent is not suitable to carry on business as a managing general agent, that the managing general agent reports such unsuitability to the Chief Executive Officer and rectifies the unsuitability in a timely and effective manner.

16(5) A Tier 1 MGA will, upon request by an insurer it is associated with, provide reports and share information with that insurer which are relevant to that insurer fulfilling its obligation to establish and maintain a compliance system under section 407.10 of the Act.

- 16(6) A Tier 2 MGA or Tier 3 MGA will, upon request by a Tier 1 MGA or insurer it is associated with, provide reports and share information with that Tier 1 MGA or insurer which are relevant to that Tier 1 MGA or insurer fulfilling its obligation to establish and maintain a compliance system under subsection 407.4(7) or section 407.10 of the Act.
- 16(7) A Tier 1 MGA's compliance system required by subsection 407.4(7) of the Act shall include a client service continuity plan for clients who purchase individual insurance through a Tier 2 MGA or Tier 3 MGA associated with that Tier 1 MGA once the Tier 2 MGA or Tier 3 MGA no longer fills that role.
- 16(8) The client service continuity plan required by subsection 16(7) shall be reasonably designed to ensure that all persons who were previously receiving service from agents associated with a Tier 2 MGA or Tier 3 MGA 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.
- 16(9) Any Tier 1 MGA to which an insurer delegates any activities with respect to any MGA licensed activity shall implement and maintain a compliance system reasonably designed to ensure the Tier 1 MGA will fulfill these activities in accordance with
- (i) the agreement between the insurer and the Tier 1 MGA,
 - (ii) any instructions the insurer provides the Tier 1 MGA with respect to such activities, and
 - (iii) all applicable insurance law.
- 16(10) A managing general agent may not delegate activities with respect to its responsibilities under section 16.

17 Reporting

- 17(1) On or before March 31 of every year, every managing general agent shall give the Chief Executive Officer an annual information return for the previous year in a form approved by the Chief Executive Officer.
- 17(2) When a Tier 1 MGA or Tier 2 MGA no longer has a designated compliance representative who meets the requirements under the Act and this Rule, that managing general agent must, within five (5) business days:

- (i) notify the Chief Executive Officer in writing of this fact,
 - (ii) either appoint a new designated compliance representative who meets the criteria set out in section 7 or, where that is not possible in the time allotted, appoint a director or officer of the managing general agent, to carry out the responsibilities of a designated compliance representative pursuant to the Act and this Rule in the interim,
 - (iii) where the managing general agent appoints an interim representative as described in subsection (ii), inform the Chief Executive Officer in writing how the managing general agent plans to replace the designated compliance representative, and
 - (iv) notify the Chief Executive Officer in writing once the new designated compliance representative is in place.
- 17(3) A managing general agent shall provide updated information in writing to the Chief Executive Officer if any of the following changes occur:
- (i) the managing general agent changes its mailing address in Ontario,
 - (ii) the managing general agent changes its email address, telephone number or facsimile number,
 - (iii) if the managing general agent is a corporation, the corporation changes one or more of its directors or officers, or
 - (iv) if the managing general agent is a partnership, the partnership changes one or more of its partners.
- 17(4) The managing general agent shall give the Chief Executive Officer the information referred to in subsection 17(3) within five (5) business days after the day the relevant change occurs.
- 17(5) The reporting obligations in this section are prescribed under section 407.4(5) of the Act, and are in addition to the reporting obligation set out in section 407.4(12) 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 8 of this Rule [insurance],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 18(1)(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 18(1)(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 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) subsections 1(1) and 1(3) [definitions]

- (ii) subsection 1(2) [which explains which obligations apply to an entity that is both a Tier 1 MGA and a Tier 2 MGA in different circumstances]
- (iii) subsections 1(4), 1(5) and 1(6) [which explain when insurers, managing general agents, sub-managing general agents and agents are associated with one another]
- (iv) paragraph 1(7)(i) [obligations under this Rule apply to unlicensed people performing MGA licensed activity]
- (v) paragraph 1(7)(ii) [obligations of managing general agents also apply to sub-managing general agents]
- (vi) subsection 1(8) [a person who supervises, trains or monitors prospective agents is acting as a managing general agent under the Act]
- (vii) subsection 1(9) [use of the phrase “sufficient information”]
- (viii) section 2 [responsibility for delegated activities]
- (ix) section 3 [application of Rule]
- (x) section 4 [licensing eligibility criteria]
- (xi) section 5 [suitability for licensing]
- (xii) section 6 [licensing expiry and renewal]

18(10) Despite section 4 and paragraph 18(9)(x) 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 16 but the applicant:

- (i) has designed and documented a compliance system as described in section 16, and
- (ii) attests the compliance system will be in effect by the End of Transition Date.

18(11) Despite section 4 and paragraph 18(9)(x) 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 16 if the applicant:

- (i) has designed and documented a compliance system as described in section 16, 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 7 [designated compliance representative], and
- (ii) section 8 [insurance].

18(13) Despite subsection 18(12) of this Rule, an applicant for a managing general agent licence must comply with sections 7 and 8 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.