

**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.