

**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.

4(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.

4(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.

4(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 78 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's~~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
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 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 function Any 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 outcomes ensure that:

- (i) if the managing general agent and any person acting on its behalf Tier 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~~That the 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.

4513 **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~~ 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 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) 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 agentagents, 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,~~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.