

The Institute for Advanced Financial Education (ADVOCIS)

Backgrounder

As of January 1, 2020, the Saskatchewan insurance industry will be governed by a new Act: *The Insurance Act* (Act).

There are several changes in the Act that will affect how your members do business in Saskatchewan.

To ensure a smooth transition and compliance with the new Act, the Insurance Councils of Saskatchewan (ICS) is committed to educating all our stakeholders about key changes in the Act and any actions that they must take as a result of these changes.

This backgrounder covers the changes you need to know and tells you what you need to do to make sure your members and their businesses are in line with the new legislation.

New definitions and rules

A “business” is defined as a body corporate, a partnership or a sole proprietor, including:

- sole proprietor (not registered with Corporate Registry); and,
- sole proprietorship (trade name registered with Corporate Registry).

Insurer’s Representatives

More people will become licensees as of January 1, 2020.

Employees of an insurer will need a licence if they:

- provide insurance advice;
- provide advice and recommendation to clients;
- provide advice on conversions and cancellations;
- provide advice on in-force policies; and,
- work jointly with advisors and clients.

This will cover individuals including sales representatives and some call centre employees.

These groups were exempt in the old Act.

Disclosures

Errors and Omissions (E&O) Insurers are responsible for advising the Life Insurance Council when a licensee's E&O insurance coverage ends, whether it lapses or is cancelled.

The Life Insurance Council (LICS) Bylaws already require licensees to tell customers about any fees they charge over and above premium (advising them in writing of both the fee and the reason for it). As of January 1, 2020, consumers must also **agree in writing to any fees** before those fees can be charged.

Audits

As of January 1, 2020, the LICS will have the ability to audit a licensee's business.

The Insurance Regulations allow the LICS to carry out audits, examinations, inspections and investigations of licensees and persons who are required to be licensed

Designated Representatives

There are many changes and new responsibilities for Designated Representatives (DRs) under the new Act; we've included a summary here.

Prior to the proclamation of Act an agency's DR was not required to hold an individual licence. DRs will now require an individual licence that encompasses the same products as the agency licence.

DRs of a business are responsible for the ongoing monitoring of licensees that represent the business. The DR must have procedures in place and use those procedures to ensure that licensees have the knowledge needed to obtain and maintain the licence for whichever classes of insurance they are selling.

The businesses recommending insurer or managing general agent will need to immediately recommend a new DR for the business.

The Superintendent may approve a temporary DR in the prescribed circumstances.

The business licence will be cancelled if there is no qualified DR appointed.

The DRs responsibilities can be assigned to other licensees but ultimately it is the DR that will be held responsible.

Specific Changes

Managing General Agents

If any of your members are a Managing General Agent (MGA), they hold an agency licence under the old Act. If MGA's wish to recommend agent licenses, they will need to apply for an MGA licence.

When a licensee recommended by an MGA has their recommendation withdrawn by the MGA, the MGA must notify the LICs **immediately** of the withdrawal of the licensee's recommendation and provide reasons why the recommendation has been cancelled.

Applications to ICS for an MGA licence must include the insurer agreements/contracts.

For applications and more information, please visit www.saskinsuranceact.info, email saskinsuranceact@skcouncil.sk.ca, or call [306-527-4202](tel:306-527-4202).