

Canadian Association of Direct Relationship Insurers (CADRI)

Backgrounder

As of January 1, 2020, the Saskatchewan insurance industry will be governed by a new Act: *The Insurance 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 and actions needed to make sure your members businesses are in line with the new legislation.

New definitions and rules

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.

Saskatchewan will now require **Restricted Insurance Agent (RIA)** licenses to sell:

- automobile gap insurance;
- funeral expense insurance (only for funeral homes and crematoriums);
- portable electronics insurance;
- rented-automobile accidental injury or death insurance;
- rented-automobile contents insurance; and,

- rented-automobile liability insurance.

If compensation is paid to anyone transacting these insurance types, the insurer must ensure those they are compensating have a licence. The insurer must also tell ICS which organizations are being compensated for the transaction of the above products.

The definition of “property and casualty insurance” has been updated. As of January 1, 2020, it means any class of insurance other than life insurance.

There is also a new definition of "general insurance." As of January 1, 2020, it means any class of property and casualty insurance other than accident and sickness insurance.

The new Act prohibits tied selling.

Any licensee your members have contracts with cannot require their customers to purchase one product or service from them in order to receive the initial product or service they want to purchase. For example:

- A customer cannot be required to purchase an insurance policy in order to give the customer a loan.
- A tenant cannot be required to purchase insurance from the landlord in order to rent from that landlord

Disclosures

The General Insurance Council (GICS) Bylaws already require a licensee 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 a licensee can charge them.

Audits

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

The Insurance Regulations (Regulations) allow the GICS 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.

The DR of a Restricted Insurance Agent (RIA) must be an individual who is recommended by the insurer that recommended the RIA be licensed. The DR is responsible for receiving notices and other documents on behalf of the restricted licensee.

The DR of a Third Party Administrator (TPA) must hold a DR licence, as the DRs role is so important to the business.

The DR of a property and casualty insurance (P&C) and TPA business are responsible to manage the business licensed as a general agent as set out in the bylaws.

ICS must **immediately** be notified if the DR of the business leaves, is terminated or dies. The businesses recommending insurer 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.

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

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

Specific Changes

Third Party Administrators

Applications to ICS for a TPA licence must include the insurer agreements/contracts.

If the TPA is currently licensed with either the GICS, they will retain their agency licence as they do not meet the definition of a TPA as outlined in the regulations.

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