

Canadian Life and Health Insurance Association Inc. 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 you 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 business is 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 you pay compensation to anyone transacting in 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 new Act prohibits tied selling.

You cannot require your customers to purchase one product or service from you in order to receive the initial product or service they want to purchase. For example:

- You cannot require your customers to purchase an insurance policy from you in order to give the customer a loan.
- You cannot require tenants to purchase insurance from you to rent from you.

Disclosures

The Life Insurance Council (LICS) bylaws already require you to tell customers about any fees you 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 you can charge them.

Audits

As of January 1, 2020, LICS will have the ability to audit your members businesses.

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.

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.

DRs of an insurance agency, TPA and MGA 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 DR's of an insurance agency, MGA and TPA must hold an insurance licence. The DR of a TPA must apply for a DR licence.

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

LICS has resources and training to help DRs understand their responsibilities.

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. As MGA's, you are now allowed to recommend agent licenses.

If these organizations wish to recommend agent licenses, they will need to apply for an MGA licence.

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

When a licensee recommended by a MGA has their recommendation withdrawn by the MGA, the MGA must notify the LICS **immediately** of the withdrawal of recommendation and why the recommendation has been cancelled.

Third Party Administrators

Applications to ICS for a Third Party Administrator's (TPA) licence must include the insurer agreements/contracts.

TPA's that currently hold an agent licence will continue to hold an agent licence as they do not fit the definition 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).