

General Insurance 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 you do business in Saskatchewan.

To ensure a smooth transition and compliance with the new Act, the Insurance Council 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 Act.

New definitions and rules

Insurer's Representative Licence

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;
- 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 in these insurance types, the insurer must ensure they have a licence. The insurer must also tell the General Insurance

Council (GICS) which organizations are being compensated for the transaction of the above products.

The definition of “property and casualty insurance” (P&C) 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 P&C insurance other than accident and sickness insurance.

The new Act allows property and casualty insurance P&C agencies to adjust claims under \$10,000 without an adjusters' licence.

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

To call yourself an "insurance broker" or "insurance brokerage" you must hold a valid insurance agent's licence and represent two or more insurers.

Brokers or brokerages that can only obtain insurance for a specific risk from one insurer must disclose that to clients or potential clients and tell them who the insurer is.

The GICS 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, ICS will have the ability to audit your business.

The Insurance 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.

As the DRs new and expanded role is so important to the business, ICS must immediately be notified if the DR of the business leaves or dies. The business licence will be cancelled if there is no qualified DR appointed.

DRs of a property and casualty insurance (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.

If a P&C business loses its DR, its recommending insurer needs to immediately recommend a new DR. At that point, the new DR is responsible to recommend any new individuals hired by the business. This is a change from the old Act, where the insurer recommended the agency, then the agency recommended the DR and the individual agents.

When a licensee leaves the P&C business, the DR of that business needs to notify the GICS **immediately** that the licensee's recommendation is cancelled and why the recommendation has been cancelled.

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

The ICS has resources and training to help DRs understand their responsibilities.

Specific Changes

Hail Insurers and Licensees

The Hail Insurance Council will be wound down January 1, 2020. Persons holding a crop hail insurance agent or adjuster licence will now be represented by the GICS, which will also issue all crop hail insurance licenses.

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