

**THE CANADIAN COUNCIL OF INSURANCE REGULATORS
AND
THE CANADIAN INSURANCE SERVICES REGULATORY
ORGANIZATIONS**

INSURANCE AGENT AND BROKER RECIPROCAL LICENSING

CONSULTATION PAPER

November 2005

Ce document est également disponible en français

I Introduction

An electronic copy of this consultation is available on the Canadian Council of Insurance Regulators (CCIR) website at www.ccir-ccrra.org. We look forward to receiving your submissions by January 27, 2006. Electronic submissions are preferred. Written submissions and questions should be forwarded to:

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Technical questions pertaining to the paper can also be addressed to the Committee on Reciprocal Licensing Standards by contacting the project manager of the committee, Michael Stewart, Senior Manager, Insurance and Deposit Institutions Policy, Financial Services Commission of Ontario at mstewart@fSCO.gov.on.ca

CCIR intends to make the submissions received publicly available. If you indicate that you do not want your submission or specific parts of your submission to be made public, we will treat the submission, or the designated parts, as confidential to the limited extent permitted by law.

Please note: The policy options contained in this consultation paper should not be interpreted as the official position of any provincial, territorial or federal government or agency.

II Background

In 2002 the Canadian Council of Insurance Regulators (CCIR) established the Working Group on Agent and Broker Licensing Issues, now known as the Reciprocal Licensing Standards Committee, to look at proposals put forward by industry associations to streamline agent and broker licensing to facilitate cross-jurisdictional licensing.

In 2003 and 2004, the CCIR and the Canadian Insurance Regulators Services Organizations (CISRO) requested that stakeholder organizations nominate one or two individuals to work collaboratively with regulators to research and develop proposals to improve inter-jurisdictional licensing in Canada. Two joint stakeholder regulator committees were established, one to focus on life licences and the other on general licences. The groups met a number of times in 2003 and 2004, developing application forms that could be used across Canada and discussing ideas to streamline the continuing education and errors and omissions aspects of licensing.

These three areas of harmonization—applications, continuing education and errors and omissions insurance—are the basis of a Reciprocal Licensing Model under consideration. This model could incorporate a reliance approach, wherein a host jurisdiction relies on the requirements of the agent's or broker's home jurisdiction, but can also request that the agent meet additional requirements specific to the host jurisdiction.

III Work to Date

1) Application Forms

Harmonized General and Life and Accident and Sickness Applications were developed and field-tested in late 2004 and early 2005 by a general insurance company and a life insurance company.

The application forms are being accepted for non-residents in all Canadian jurisdictions, with the exception of Nunavut, the Yukon and Northwest Territories. Regulators in these three jurisdictions are currently considering regulatory changes to facilitate the acceptance of these forms in the future.

The applications can be downloaded in English or French from the CCIR website at www.ccir-ccra.org

2) Continuing Education

Currently, British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, and Quebec have continuing education (CE) requirements for life insurance agents. General insurance agents and brokers in all of these provinces, with the exception of Ontario general agents, are required to complete CE.

The need to introduce greater streamlining and harmonization of CE has been identified as a priority. Industry representatives indicated to the Reciprocal Licensing Standards Committee that it is costly to monitor and comply with different CE requirements across jurisdictions.

One way to harmonize CE standards is to adopt the following approach:

Do not impose further CE requirements on a non-resident licensee who has met the mandatory CE requirements of any Canadian jurisdiction.

All jurisdictions that currently have CE requirements, with the exception of British Columbia, Manitoba and Quebec have agreed to adopt this approach to non-resident licensees. British Columbia and Manitoba intend to provide equivalency for CE credits taken in another jurisdiction. However, agents or brokers will be required to make up the difference in number of hours between their home and host jurisdiction to maintain a licence in British Columbia or Manitoba.

In Quebec, the two Chambres that administer CE have yet to present the issue to their councils.

3) Errors and Omissions Insurance

Four jurisdictions (Saskatchewan, Manitoba, Quebec, Newfoundland and Labrador) require errors and omissions (E&O) insurance for all agents. Ontario requires life insurance agents and general insurance brokers licensed by the Registered Insurance Brokers of Ontario to have E&O insurance. British Columbia is introducing E&O insurance for all agents in January 2006.

During discussions of the joint stakeholder/regulator working groups and in meetings with E&O providers, stakeholders identified problems in the E&O sector which included a small number of insurers. Stakeholders recommended that regulators exercise care in setting requirements for E&O to avoid disrupting the market, but suggested that the harmonization of regulations might encourage more firms to enter the E&O market.

Although there are a number of E&O requirements that could be harmonized, the committee felt that it would be the most useful without being disruptive to the market to focus on standards related to maximum deductibles.

This would mean adopting the following approach:

Jurisdictions that currently limit the maximum policy deductible, will accept a policy where the first dollar of any claim is to be paid directly to the claimant to be equivalent to a zero deductible.

The benefits of this approach are:

- E&O providers could use deductibles as an underwriting tool;
- claimants would still be fully protected in the event of a claim;
- E&O providers and insurers would not face as many different rules in the various jurisdictions; and
- E&O providers could offer this as a standard condition to simplify their product across Canada.

Currently only three jurisdictions limit the size of the policy deductible. Ontario and Newfoundland and Labrador have agreed to adopt this approach; Quebec is considering the E&O proposal.

IV Reliance Model of Reciprocal Licensing

The Committee is considering a model for reciprocal licensing of insurance agents and brokers across Canada. Reciprocal licensing can range in scope from a more limited reliance model to a more expansive entitlement model. The committee is consulting on a reliance model in which:

A host jurisdiction relies on most of the requirements of the agent's or broker's home jurisdiction but could request that the agent or broker meet further requirements specific to the host jurisdiction.

The reliance approach will be built upon the new application forms and the streamlined CE and E&O provisions as set out above.

These steps will simplify the regulatory hurdles insurance companies and agents face in the area of licensing. Subject to this consultation, regulators will consider taking steps to introduce this model in 2006 and will continue to seek additional ways to facilitate cross-jurisdictional licensing.

Appendix A – Reciprocal Licensing Standards Committee Members

Grant Swanson, Chair – Financial Services Commission of Ontario

Tom Hampton – Alberta Insurance Council

Douglas Doak – Northwest Territories and Nunavut

Jeff Bear – Registered Insurance Brokers of Ontario

Joël-Christian St-Pierre – Autorité des marchés financiers

Michael Stewart – Financial Services Commission of Ontario (Project Manager)