

INSURANCE COUNCIL OF BRITISH COLUMBIA
("Council")

**RESTRICTIONS AND LIMITATIONS ON
LEVEL 1 GENERAL INSURANCE SALESPERSONS**

Despite recent reminders by Council regarding the limitations and restrictions on a Level 1 general insurance salesperson ("Level 1 Salesperson") licence (*see Council Notices ICN 13-001 and ICN 15-004*), Council continues to find that Level 1 Salespersons engage (and are permitted to engage) in insurance activities contrary to their licence restrictions.

Evidence suggests that improper insurance activity by Level 1 Salespersons is a systemic problem, and is a result of agencies and nominees failing to have sufficient training, controls, and oversight in place.

In light of these concerns, Council finds it is necessary to provide the industry with further direction regarding the insurance activities that Council has determined cannot be carried out by Level 1 Salespersons.

While not exhaustive, this Notice provides further clarification for agencies, nominees, and Level 1 Salespersons of the parameters under which Level 1 Salespersons may engage in insurance activities.

Level 1 Salespersons

It is important to understand the distinction between a Level 1 Salesperson and a general insurance agent (e.g., a Level 2 or Level 3 general insurance agent). By definition, pursuant to section 168 of the *Financial Institutions Act*, a Level 1 Salesperson is:

"...an individual who is employed by an insurance agent or by an insurer to solicit, obtain or take an application for general insurance, or to negotiate for or procure general insurance, or to collect or receive a premium for general insurance"

By definition, a general insurance agent is:

"...a person, other than an insurance company or an extraprovincial insurance corporation, who solicits, obtains or takes an application for insurance, or negotiates for or procures insurance, or signs or delivers a policy, or collects or receives a premium"

There are two key differences in these definitions. First, a Level 1 Salesperson is defined as an employee, while a general insurance agent is not. Second, a general insurance agent can sign or deliver an insurance policy, whereas a Level 1 Salesperson cannot engage in either of these activities.

NOTICE

In addition to these differences, as per Council Rule 6(1), a Level 1 Salesperson licence has three specific restrictions. These are:

- (a) *the licensee must not sign contracts of insurance on behalf of an insurer;*
- (b) *the licensee must not carry on general insurance business in any place other than on the premises of the insurance agency the licensee is authorized to represent, except where the licensee has 3 consecutive months of automobile insurance experience, at which time the licensee may conduct automobile insurance on the premises of an automobile wholesaler, dealer or auction, or a car rental business; and*
- (c) *the licensee must only conduct general insurance business under the direct supervision of a general insurance agent.*

Prohibited Activity

Accordingly, agencies, nominees, and Level 1 Salespersons are advised as follows:

A Level 1 Salesperson cannot engage in the following activities at any time:

- sign a policy, a binder, a certificate of insurance, interim receipt for insurance, or any document that is intended to represent evidence of a contract of insurance;
- deliver, collect, or receive any insurance documentation outside the agency office;
- collect or receive any money or signature from a person relating to an insurance transaction outside the agency office;
- be responsible, either directly or indirectly, for the supervision of another Level 1 Salesperson;
- make an adjustment or settlement of a claim under a contract of insurance;
- advertise or promote their services as an insurance licensee in print, electronically, or in any form of social media;
- hold out as a producer, or anything other than as a Level 1 Salesperson or employee of an insurance agency;
- provide a member of the public with a phone number, email address, or other means of contact, that is not contact information of the insurance agency that the Level 1 Salesperson is authorized to represent;
- be in possession of any insurance documents or information about an individual's insurance, either on a personal device or while outside of the insurance agency that the Level 1 Salesperson is authorized to represent; or
- attend any location to obtain or take an application for insurance, take photographs of a property, discuss insurance matters with a person, or otherwise engage in any other insurance activity.

Permitted Activity Outside an Insurance Agency Office

Notwithstanding the prohibited activities listed above, a Level 1 Salesperson who has a minimum of three consecutive months of automobile insurance experience may conduct insurance activity outside an insurance agency office, if the insurance agency has a mobile road service agreement with the Insurance Corporation of British Columbia (“ICBC”). In such cases, a Level 1 Salesperson is restricted to conducting automobile insurance at only four locations: a retail automobile dealer, a wholesale automobile dealer, an automobile auction, and a car rental business.

Privacy

Level 1 Salespersons (as well as all other levels of general insurance licensees) cannot:

- access any information on any ICBC database, except for the specific purpose of conducting an Autoplan insurance transaction; or
- access any client information contained in an agency or insurer database, except for the specific purpose of conducting an insurance transaction.

Agency and Nominee Responsibilities

Council expects that all agencies and nominees will consider whether they are providing their Level 1 Salespersons with a work environment that fosters compliance with the above requirements.

Insurance agencies and nominees are expected to ensure that their Level 1 Salespersons do not engage in insurance activities in any manner other than as employees of the agency.

Insurance agencies and nominees should consider whether it is appropriate to allow Level 1 Salespersons to also represent an unaffiliated or unrelated agency(s). If they are permitted to do so, there must be sufficient oversight to adequately monitor the insurance activities of these Level 1 Salespersons.

Council is taking this opportunity to put the industry on notice that, effective immediately, any improper conduct by a Level 1 Salesperson will be deemed to reflect on the competence of the Level 1 Salesperson’s employer (the insurance agency and its nominee). Where Council determines that a Level 1 Salesperson has been permitted to act contrary to the provisions set out in this Notice, the insurance agency(s) and nominee(s) will face significant fines for first offences. Subsequent offences at the same insurance agency could bring into question the suitability of the insurance agency (its officers and directors) and its nominee to hold a general insurance licence.

If you have any questions about the regulatory requirements or this Notice, please contact Regulatory Services by emailing info@insurancecouncilofbc.com or calling Council’s main number and at the prompt press “2”.

March 3, 2016
ICN 16-002