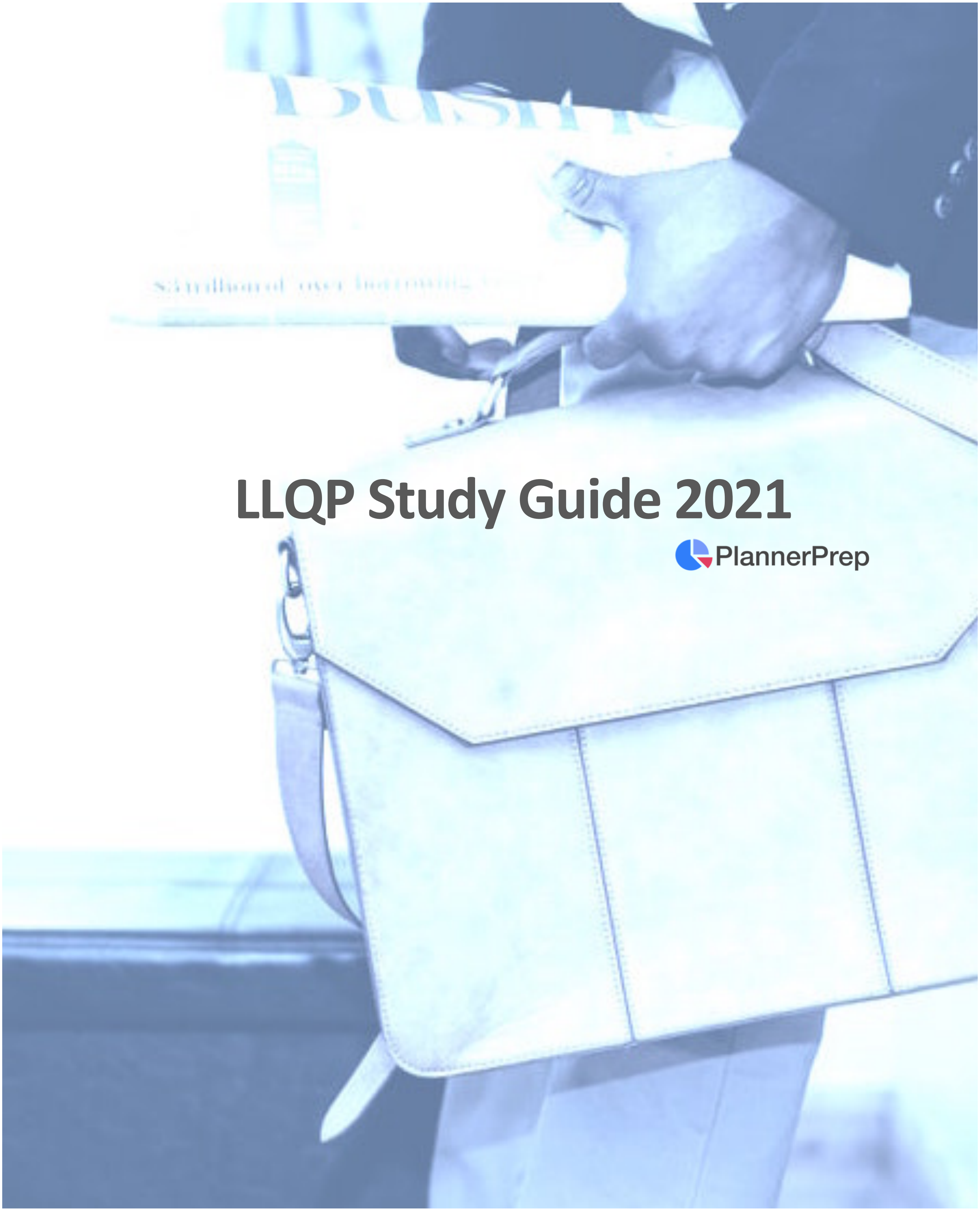

LLQP Study Guide 2021

PlannerPrep

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    - Analyze the riders that meet the client's needs;
    - Consider the impact of underwriting criteria as they apply to the client's situation;
- Implement a recommendation adapted to the client's needs and situation;
    - Propose a recommendation adapted to the client's needs and situation;
    - Confirm the requirements that must be met to implement the recommendation;
- Provide customer service during the validity period of the coverage.
    - Validate the appropriateness of contract amendment, renewal and termination applications in regard to the client's situation;
    - Inform the claimant of the claims process.

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    - Determine the client's situation
    - Assess the appropriateness of the client's existing coverage in regard to their situation
- Analyze the available products that meet the client's needs;
    - Analyze the types of contracts that meet the client's needs
    - Consider the impact of underwriting criteria as they apply to the client's situation

- Implement a recommendation adapted to the client's needs and situation;
    - Propose a recommendation adapted to the client's needs and situation
    - Validate the appropriateness of contract amendment, renewal and termination applications in regard to the client's situation;
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ETHICS AND PROFESSIONAL PRACTICE

Ethics and Professional Practice

Legal Framework Governing Life Insurance

In Canada, insurance law is taken from several sources: the Canadian Constitution, Common Law and legislation/regulation. Insurance law has been mostly enacted through legislation passed by provincial and territorial legislatures. This section provides an overview of the legal framework applicable to insurance and serves as a guide for insurance agents as it relates to the conduct of their professional practice. This section will also present the most important Common Law rules, statutes and regulations applicable to a life and health insurance agent's business.

Life and accident and sickness insurance in its legal context

An insurance contract is an "undertaking by one person to indemnify another person against loss or liability for loss in respect of a certain risk or peril to which the object of the insurance may be exposed, or to pay a sum of money or other thing of value upon the happening of a certain event and includes life insurance.

- Life Insurance
    - Covers the risk of one or more persons dying
- Accident and Sickness
    - Loss, due to accident or sickness, of the ability to work in gainful employment (disability insurance)
    - Onset of diagnosed illness (critical illness)
    - Accidental death or dismemberment
    - Reimbursement of medical fees and drugs
    - Long term care
- Insurers
    - Insurance contracts are created and underwritten by business corporations or mutual insurance corporations which are licensed by the government to act as insurers
- Agency relationships
    - In law, 'agency' is referred to as a relationship of delegated authority. Individuals who play this role are considered 'agents, and the other party (corporation, person, etc.) are called the 'principal'.
- Agents
    - The relationship between the insurance company and a life insurance agent is considered to be that of a principal and agent
    - Act on behalf of the insurance company in selling insurance to clients
    - Can be employed by individual insurers (**captive agents**) or as independent reps
- Managing general agent (MGA)
    - Facilitates business between agents, their clients, and insurers by providing some or all of the following services
        - Supports the agent is obtaining contracts with insurers, including providing authority to the agent
        - Processing and tracking agents' business submitted by an agent
        - Providing sales and training support

        - Pooling of commission payments for the agents from multiple insurers
- Agency
    - An insurance agency is either a corporation or a partnership that holds a license from a regulator or several regulators.
    - An insurance agency **must have at least one licensed insurance agent for the same category of insurance for which the insurance agency holds a license**
    - An agent who wants to expand his business by hiring, training and supervising other agents must apply for a license as a corporate agency life license meeting the requirements of the specific province (or territory) where they intend to operate
    - An employee of an agency will need to be licensed to conduct most activities (e.g. solicit insurance, negotiate or procure insurance, etc.)
- Regulation of insurance and licensing
    - All insurance companies are heavily regulated and supervised
    - Provincial legislation gives designated actuaries extensive powers and responsibilities including reporting on the financial soundness of a life insurer's business operations
    - Under the provisions of provincial and territorial law, insurance agents must be licensed. The name of the applicable regulatory and statutory framework varies from province to province

General legal principles applicable to an agent

The law that applies to the interpretation of an insurance contract will be the law of the province or territory where the policy was contracted. The statutory basis for the creation and treatment of insurance contracts in the various provinces and territories is very similar resulting in consistent treatment of legal principles and their application to the life insurance agent's business. The relevant legal principles that arise from common law are outlined below.

- Capacity and status of persons
    - From a legal standpoint, the concept of capacity relates to a **person's ability to provide valid consent –** are they capable of understanding the terms of the contract even if they do no know all the details
- Natural persons, partnership and legal persons (corporations)
    - Natural persons
        - Defined as a **human being** that has the ability to make decisions about their person and property and to bear the risks and rewards of those decisions
    - **Partnerships**
        - A partnership is an arrangement between two or more parties carrying on business together with a view to making a profit
    - **Legal person (corporation)**
        - A corporation is a "legal person." In other words, it can be described as a separate entity from those that manage or own it
- Minors and guardians

- Provincial insurance legislation says that, for contracting a policy (but not as a beneficiary receiving death benefits), **a person 16 years of age or older has the capacity to contract for insurance on its own behalf**
- Parents of minors aged 15 and under (without the capacity to contract a life or accident and sickness insurance policy) have an insurable interest in their children and may apply for a life insurance policy in their name

- Power of Attorney (POA)
  - To address the risks of becoming unable to look after themselves (personal care) or manage their property, adult individuals may voluntarily appoint a legal representative while they are still capable, to represent them and make decisions on their behalf when they are coming to the end of their life
  - POA
    - A power of attorney is a legal document made by one person who appoints another person, called an "attorney," to deal with the business and property of another person and to make financial and legal decisions on their behalf
    - It can be very broad or specific, but ends upon death or if the individual becomes mentally incapable
  - Enduring POA
    - Same as a regular POA, only that it continues even if the principal becomes mentally incapable
    - A property power of attorney document, depending on its terms, may come into effect immediately; or it may require someone, such as a doctor or capacity assessor, to "trigger" its effect
    - Agents dealing with POA's should obtain a certified copy of the POA from a **notary public** and have it reviewed by the insurance company
    - A POA is not the same thing as a "living will", which simply addresses your treatment and personal care wishes and does not name anyone.
- Marriage and common law spouse
  - The agent must understand the legal relationships clients may enter into with third parties, e.g. marriage or common law relationships
  - Property rights are treated different when a client is married vs. when they are in a common law relationship
  - Couples may adjust their legal rights before or during a relationship through **pre-nuptials** or **cohabitation agreement**
- Divorce and separation
  - In the event of divorce or separation, the value of the policy may become subject to the valuation and division of property.
  - Insurance proceeds received from a third party may receive preferential treatment similar to inheritances and gifts, and be excluded from the rebalancing of financial assets
  - Family property
    - Implies property that was acquired during the marriage or used by the family of married spouses or generates income that supports the family

        - Family property is presumed **subject to equal division** when the married spousal relationship breakdown
        - In contrast, property that was acquired prior to the marriage (or relationship), or that came from an inheritance during the marriage, usually gets protection from division
        - Rights for spousal support are separate and additional to the right of property division

- Wills, estates and successions
    - The collection of property and property rights that the deceased owned is referred to as their “estate
    - Not all property owned by an individual is controlled by their will.
        - Ownership of property held in “joint tenancy” with one or more persons usually passes outside the will.
        - Registered plans with a named beneficiary, including RRSP, RRIF, and TFSA pass directly to the named beneficiary. Life insurance payable to a named beneficiary also passes outside the will to the named beneficiary
        - Financially dependent persons, such as a surviving spouse or children, can sue the estate for support if the deceased person owed them a duty of support and failed to make “adequate” provision. The laws governing this, generically called “dependent’s relief legislation”46, give dependents priority before any disposition or distribution under the deceased’s will is made
    - **Intestate**
        - If the client has no will or an incomplete one (e.g. no named executor) they are said to have died ‘intestate’
        - When there is no will, the estate trustee will distribute the estate in accordance with the applicable provincial rules on intestacy
        - If there is a will, the executor will distribute the estate, after the payment of the debts, according to the will
        - Divorce does not revoke a will either; the will is interpreted as if the former spouse had predeceased the testator
        - If a policyholder’s beneficiary designations contained in a will are revoked, and there is no valid beneficiary designation, the insurance or registered plan proceeds will become payable to the policyholder’s estate
        - **Agents must direct clients to receive their own legal advice and estate planning services related to specific life events, such as marriage or death**
- Trusts and trustees
    - Trusts established during life of the settlor54 are called “**inter-vivos**” trusts (between living people).
    - Trusts established upon, and as a consequence of, someone’s death are called “**testamentary**” trusts
    - While guardians and POA’s have certain powers over a person’s property, they do not take title. In contrast, **trustees of a trust have legal title**

- once a trust has been created, a trustee is already under a positive legal obligation to act as and when the need arises. A trust is therefore arguably a form of property management for the benefit of the beneficiaries of the trust

- Bankruptcy
  - If someone cannot meet their financial obligations as they fall due, they are insolvent. If some creditor pushes them to pay a debt, they may decide to make a formal declaration of bankruptcy
  - **Life insurance**, or financial products that qualify as life insurance, including life annuities and segregated funds, **may qualify for special protection against creditors** in the event of an insolvency or bankruptcy of the policyholder
  - Provincial insurance legislation states that insurance proceeds payable to beneficiaries do not form part of the insured's estate and thus are not subject to control by the estate's creditors.
  - Asset protection is one reason that agents usually advise clients to name direct beneficiaries, rather than their estate

Public insurance and retirement regimes

The government has set up programs that contribute to a 'social safety net' for society. It is important that agents monitor changes to these programs to guide their decisions with clients and consider relevant information and coordination of benefits. When spouses are both entitled to benefits for themselves and their family members under a privately sponsored health, drug, or group dental plan, care must be taken to avoid double payment for the same expense.

- Federally sponsored or facilitated programs
  - CPP, OAS and GIS help to provide Canadians with a secure, modest base upon which to build additional retirement income, but are not intended to meet all retirement income needs
  - The purpose of EI is to provide temporary income support to those who are unemployed, cannot work for reasons of sickness, childbirth or parenting or who are providing care or support to a family member
  - **CPP and disability**
    - CPP contributors may draw a **disability benefit** if they become permanently and totally disabled.
    - There are also provisions for a **modest death benefit** to assist with funeral expenses, and survivor benefits for spouses and children.
    - Spouses may **split CPP benefits** to enable income splitting in retirement.
    - **Benefits may also be assigned as part of the property settlement** should the marriage break down.
  - **OAS and Guaranteed Income Supplement (GIS)**
    - Old Age Security (OAS) is non-contributory and is government funded through duties and taxes
    - The Guaranteed Income Supplement (GIS) is a non-taxable supplement for those already getting the OAS pension
  - Employ**ment Insurance (EI)**

        - Employees must contribute through payroll earnings to EI
        - The individual must have a minimum number of insurable hours of employment before becoming eligible for benefits, and the benefit payable will depend on the number of hours worked
        - The self-employed are not eligible
- Provincially sponsored/facilitated programs
    - The purpose of the plans described next all vary, but all provide public coverage to individuals in certain circumstances and avoid lawsuits
    - No-fault automobile insurance
        - Individuals are only reimbursed through their own insurance without proof of fault, but are also restricted from the legal system for losses caused by other parties
    - Workers' compensation
        - Compensation and rehabilitation benefits are available to the workers on a no-fault basis, i.e. without any finding of fault with them or the employer.
        - Benefits payments are secure because they are funded by mandatory employer contributions through a payroll tax. In exchange to being entitled to these benefits, workers give up the right to sue their employers
    - Universal health care and drug plan
        - Canadians with valid provincial health care enrolment enjoy a form of universal health care anywhere in Canada
        - The provinces and territories remain responsible for the management, organization and delivery of health care services

Other relevant legislation

- Privacy Act
    - How agents handle the large amounts of personal client data is regulated by privacy legislation
    - Personal Information Protection and Electronic Documents Act (PIPEDA)
        - Sets out ground rules for how businesses and other organizations may collect, use or disclose personal information in the course of commercial activities
        - Controls how federally regulated businesses must act in handling employee personal information
        - Ensures that only information that is needed and relevant to conduct a business transaction should be collected.
        - Once the need for the information is over, the information should be disposed of in a careful fashion
- Human rights legislation
    - Discrimination on the basis of a number of personal and/or group attributes and characteristics is prohibited
- Criminal code

    - Canadian federal law defining behaviour and actions that constitute a "crime" and are generally more serious offences, including those that may result in jail time as well as fines
- Money Laundering and Terrorist Financing Act
    - Aims at detecting individuals and corporations involved in criminal activity and **preventing them from getting their illegally obtained money into the banking system**
    - Insurance protects can be used for storage and transfer of illegal funds or activities. Reporting suspicious transactions and suspected possession of terrorist property remains a responsibility of every insurance agent
    - Suspected money laundering or terrorist financing **must be reported to** an agency called the Financial Transactions and Reports Analysis Centre of Canada (**FINTRAC**) who will monitor and investigate
- National Do Not Call List (DNCL)
    - Clients may register their phone numbers and request that telemarketers do not call them. Calls to businesses are not prohibited.
    - These **rules apply to life insurance agents** who call clients and prospective clients
- Anti-spam legislation (CASL)
    - CASL prohibits the sending of commercial electronic message (CEM) if the sender does not first have the recipient's consent.
    - The CEM **must have prescribed consent** and a **mechanism to unsubscribe**.
    - Agents should establish and document, from their very first dealings with clients, the practices to be followed when dealing with their clients' personal information

Insurance Policy Provisions

This section outlines the various components of the policy/insurance contract, followed by the specific provisions of insurance. Other kinds of policies or products marketed by life insurance companies qualify as 'life insurance' but do not resemble life insurance policies (e.g. annuities, segregated funds).

Parties to an individual policy

Contracts for life insurance is entered into between an insurer and a policyholder (i.e. insured). Depending on the type of insurance, there may be other persons referenced or involved in and/or deriving rights, such as the life insured, beneficiary, contingent beneficiary, or a successor owners or an assignee

- Insurer
    - The insurer is the life insurance company that takes on the risk and issues the policy.
- Policyholder
    - The policyholder is the individual or legal person (e.g., corporation) who has legal ownership of the policy and exercises the contractual and statutory rights that go with being the owner.
    - The policyholder can also be the life insured, owning insurance on their own life, but it is common for the policyholder to own insurance on the life of someone else, such as a spouse, child, or parent
    - There can be co-owners of policies as well
    - Successor policyholder
        - If the policyholder is not also the life insured, the policyholder could die before the insured person (i.e., while the insurance is still in effect).
        - Ownership of the policy will then be transferred to a new owner. The identity of the new owner can be determined in advance by the policyholder
- Life insured
    - The "life insured" means the person whose life is insured and on whose death the benefit is paid, also called the person insured or insured person
    - It is common to have several individuals insured under one policy
- Beneficiary
    - A beneficiary is a person to whom or for whose benefit insurance money is payable
    - Beneficiaries have rights under the insurance policy, but are not a party to it
    - Designating certain individuals as beneficiaries of a policy cannot only protect death benefits, it can protect the policy itself from execution and seizure. These individuals include spouses, children, grandchildren and parents of the life insured (also known as protected class beneficiaries)
    - The policyholder may also later name or change a beneficiary using a beneficiary designation or change form issued by the insurer
    - Irrevocable beneficiary
        - A policyholder may agree to make a designation irrevocable. Such a declaration must be filed with the head office of the insurer in order to become irrevocable. If not filed, it remains a revocable designation.

    - If the policyholder names a beneficiary as an irrevocable beneficiary, then they can only change (revoke) that designation if the irrevocable beneficiary consents to the change
  - Policyholders may also choose to designate their estate as the recipient of the insurance benefits
  - For creditor protection, it is always best to name an individual as a beneficiary vs. the estate
  - Loss of protection
    - The designation of a beneficiary, including a protected class beneficiary, is subject to being set aside and ignored if it is made in an attempt to defeat, delay, or hinder creditors
  - Contingent beneficiary
    - It is also possible to name a "contingent," also called secondary beneficiary, to address the possibility that the primary beneficiary might die before the life insured
- Group insurance policies
  - Insurance companies also offer group insurance policies, insuring the lives or health of a defined pool of individuals (and often their spouses and dependents) under one policy
  - The pool usually consists of employees or members of a group such as a union or association with a clearly definable and controlled membership.

Formation of policy

- Rules about forming an individual insurance contract
  - The process of forming any contract is often described as having two steps, called "offer" and "acceptance."
  - In practice, the completion of an insurance application by an individual is generally considered an offer where the individual becomes the offeror. Then, the offer is generally accepted when the insurance carrier issues the contract, and the contract is delivered to the applicant. But under common law (i.e. legally), the offer and acceptance is reversed
  - Application for insurance
    - It is the agent's role to help the applicant understand and correctly answer the questions
    - It is crucial that the agent not paraphrase or change the wording of the questions created by the insurer (which can be lengthy), so that the response given is as complete and accurate as possible
    - The answers recorded in the application act as the benchmark against which "changes in insurability" are later measured when the policy is issued
  - Temporary Insurance
    - An applicant may be able to obtain temporary coverage during the underwriting process. If they can answer "no" to three or four temporary insurance questions confirming their good health and that they have not

been in hospital or ill, this separate insurance agreement can provide limited insurance coverage, typically for 90 days. It will expire once the policy applied for is approved, or declined, and is subject to terms and conditions outlined in a separate temporary coverage agreement

- Change in insurability
  - If there has been a change in insurability between application and policy delivery, the policy does not take effect, even if it was delivered and the first premium taken
  - This is because a change in insurability means the risk disclosed in the application and underwritten by the insurance company is different than the actual risk present at the time the policy is delivered to the policyholder
- Approval and application by insurer
  - Once the insurer decides to make the offer of insurance, they will notify the applicant and prepare a policy to be delivered
  - The policy tendered may include changes from the presumed terms and conditions the applicant contemplated when they applied - this may include a different underwriting classification, it could contain exclusions to the proposed coverage and changes to the premium to be paid by the applicant
- Delivery of policy
  - If the applicant indicates that they will accept the insurance policy offered, the policy will be printed out and sent to the agent for "delivery" to the applicant, together with any instructions relating to delivery requirements
  - The policy is not in force until all delivery requirements have been obtained and the first premium paid

Term and termination of policy

A policy may be annulled or cancelled either voluntarily by the owner or for limited reasons by the insurer

- 10-day Rescission
  - Allows the applicant to review the policy to confirm it is consistent with what was expected and if requested to change their mind a return the policy for a full refund – the policy is annulled
  - This guideline is from the Canadian Life and Health Insurance Association (CLHIA) which allows the policyholder holder to rescind the policy within 10 days, without penalty and with a reimbursements of premiums paid
- Surrender
  - Individual life policies are referred to as "unilateral" contracts, in that the individual policyholder can always cancel the policy at any time. A policyholder can "surrender" a policy at any time, resulting in a complete termination of rights under the policy for both the policyholder and any beneficiary.
- Expiry or termination
  - Some policies simply terminate in accordance with its terms – for example a term life insurance policy will have a finite duration of coverage

- Guaranteed renewable and convertible term policies have age limits. They cannot be renewed after a specified age, and they also cannot be converted to permanent insurance after a specified age

Termination by the insurer

Life insurance policies can also be cancelled by the insurer before their coverage expires. Outlined below are some possible reasons.

- Termination in the event of fraud, misrepresentation or intentional concealment
    - Fraud occurs when the applicant or insured person
        - Makes a deliberate misstatement (e.g. claiming to be a non-smoker, but in fact smokes)
        - Deliberately omits to inform the insurer of a material fact (e.g. failing to disclose that they were recently treated for cancer)
        - Obtain insurance for which the policyholder or insured person does not qualify
    - **Fraud** occurs when there is intent to mislead the insurer and **get insurance that would otherwise not be offered**
    - Depending on when misrepresentation or concealment, different outcomes would occur:
        - **During the application process:** insurer would be entitled to adjust the proposed coverage or premium or they could choose not to insure the individual if insurer feels that they have lost the confidence in the truthfulness or motivation of the applicant
        - **Within the first two years:** If a misrepresentation or concealment other than age that is in good faith is discovered during the first two years of the policy, the insurer would have the option of cancelling the policy
        - **After two years:** the insurer can only cancel it based on a fraudulent misrepresentation or concealment
- Termination for non-payment of sickness or accident insurance premiums
    - The insurer may terminate the policy for non-payment by mailing a postage pre-paid, registered, written notice of termination to the last known address of the policyholder
- Termination for non-payment of life insurance premiums
    - If life insurance policy premiums are not paid in a timely fashion, any term life policy or permanent life policy with no cash values will also terminate, subject to a **30 day grace period**
    - Agents should be aware of the specific termination features of a policy and be able to guide clients properly as required
    - **Cancellation is never final**, since the insurer is obligated to reinstate the individual life insurance under the following conditions
        - Client applies for reinstatement within 2 years of cancellation
        - Client still meets the insurability conditions of the cancelled policy

Assignment of a policy

- Absolute assignment
  - Transfer of ownership of the policy
  - Agents should understand the consequences of assignment before advising clients – change in ownership could trigger tax issues and may result in large taxable gains for the assigner
  - Assignee, has all the rights of the original policyholder (the assignee), including the right to designate a new beneficiary or to withdraw money from the policy
- Collateral assignment
  - Policies with large cash values may be acceptable to third party lenders as additional collateral for a loan
  - This means the policyholder assigns ownership of the policy to the lender, but only as collateral. This restricts the policyholder from doing anything with their policy that could affect the value of the security
  - When the loan is paid, the collateral assignee releases their right to the policy and full ownership reverts to the original policyholder
  - If the **life insured dies**, the **lender**/collateral assignee is **only entitled to enough of the policy death benefit to retire the loan balance**

Product specific policy provisions

This section will review the specific policy provisions of the most important products that will be further outlined in the rest of this study guide.

- Individual life insurance
  - The **name or a sufficient description of the insured** and of the person whose life is insured;
  - The **amount, or the method of determining the amount, of the insurance proceeds** payable by the insurer, and the conditions under which the amount becomes payable;
  - The amount, or the method of determining the **amount, of the premium** and the period of grace, if any, within which it may be paid;
  - Whether the **contract provides for participation in a distribution of surplus** or profits that may be declared by the insurer;
  - The conditions upon which the contract may be reinstated if it lapses;
  - The options, if any:
    - of surrendering the contract for cash;
    - of obtaining a loan or an advance payment of the insurance money; and
    - of obtaining paid-up or extended insurance.
  - **Statutory conditions**
    - Insurance Acts include requirements that all policy terms and conditions must be set out in full when the policy is issued
    - As well, the following documents must constitute the entire agreement between the policyholder and the insurance company: **application**, **policy**,

any **attachment** tied to the policy and any **amendment** to the policy agreed to in writing

- Reduction
    - Some policies contain customized provisions that affect the coverage offered, or the amounts payable under a particular coverage
- Exclusions
    - Change in coverage provided
    - Exclusions can also be imposed by law and established by the courts. They may relate to actions that are deemed a violation of public order, or because the beneficiary or insured caused or ran the very risk insured against, which constitutes grounds for denying entitlement to insurance proceeds
    - Pre-existing conditions: more common under disability insurance
    - Suicide clause: Most individual policies will pay, but restrict paying the death benefit, if death is caused by suicide or attempting suicide within the first two years. After two years, the exclusion provision ends, and the death benefit is payable
- Living benefits
    - Some insurance policies entitle the policyholder to receive an advance payment of a portion of the death benefit if the person whose life is insured is diagnosed with a terminal illness and has only a short time to live
- Cash surrender value (CSV)
    - Permanent insurance provide for the buildup of cash values on either a contractually guaranteed basis or a non-guaranteed basis
    - If the policy is cancelled, the amount that the policyholder will receive in cash is called the CSV
- Riders
    - Policy may have additional coverages added to it through documents sometimes called "riders," more commonly now referred to as "additional" or "attached" benefits. These amendments may change existing benefits, or provide additional coverages (e.g., term life insurance coverages on the life insured or a new life insured such as their children).

- Group life and health insurance
    - Group insurance means a type of insurance in which a single insurance policy, sometimes called a "master policy," covers specified people who can be called plan members (or participants), and their eligible dependents, against a specific risk or risks
    - The group must be clearly defined so that entitlement to coverage can be readily determined
    - When the group policyholder is an employer, the employer is responsible for paying the premiums owed to the insurer (even though the cost sharing might be 50% by the employer and 50% by the employee).
    - Group insurance can cover a wide array of benefits, including:
        - Life insurance
        - Accidental death and dismemberment

        - Short term and long-term disability plans
        - Critical illness coverage
        - Health care and dental coverage
    - Certificates
        - When members join an insured group plan, they do not have any contractual connection with the insurer
        - The insurer gives the employer (sponsor) certificates, in paper or electronic form, to deliver to the group members. Certificates contain individualized information for the group, based on information relayed to the insurer by the group policyholder
    - Booklets
        - Plan sponsors may also use booklets to explain the different group benefit coverages. These booklets are only summaries, not insurance policies; the provisions of the group policy with the plan sponsor govern in the case of any dispute
- Individual and group accident and sickness insurance
    - Accident and sickness insurance may be available in an individual personal contract, or as part of a group benefit plan
    - Accidental death and dismemberment (AD&D)
        - This insurance covers the risk of the insured person suffering a defined physical loss or death due to an accident. The physical losses can include loss of limbs, or hearing or eyesight
        - The definition of what constitutes an “accident” in the insurance policy can be very complex. There may be many restrictions and exclusions to coverage, situations in which an insurer will not pay a benefit (e.g. death from sickness, suicide, war, etc.)
        - Processing a death claim may take some time, since determining that death was “accidental” and not affected by some exclusion may not be a simple process
    - Disability specifics
        - Coverage can be very complex, as it can cover both full and partial disability, as well as temporary or permanent reductions in the ability to earn income
    - Drug insurance
        - Clients may choose to purchase their own health insurance covering the cost of expensive medication.
        - They would be both the policyholder and the life insured.
        - This type of personal coverage is similar to group benefits coverage, and is usually part of a personal health insurance plan that covers drugs, dental and out of country or extended expenses
    - Critical illness (CI)
        - It insures against the risk of a person suffering a life-threatening illness.
        - If the person is diagnosed with a covered critical illness and survives for a period of usually 30 days, the insurer pays a lump sum amount.
    - Long-term care

        - Provides a benefit when the insured person cannot safely and independently perform a number of daily living activities, or must be constantly supervised due to deterioration of mental functions
    - **Effective date**
        - Because no medical underwriting is necessary for personal accident, or accidental death or dismemberment insurance, the policy can take effect quite quickly, sometimes immediately on the insurer's acceptance of the application
        - For sickness insurance, the process and timelines are similar to life insurance
    - **Termination**
        - A&S policies can be terminated by the policyholder at any time giving written notice and surrendering the policy
        - Insurer may cancel only after the insurer sends written notice and once the period indicated in the insurance policy expires
        - Non-payment of the premiums in and of itself therefore does not allow the insurer to terminate an insurance policy; a grace period defined in the policy will have to be followed
    - **Statutory conditions**
        - There are **statutory terms and conditions that must be included in every individual accident and sickness policy** for the policy to be valid
- **Annuities**
    - Annuities are policies issued by insurers or other financial institutions where they agree to pay a fixed amount to a payee over a specified period of time.
    - If the duration of the payments is determined by a person's life, it is called a "life annuity." If the payments are for a defined period of time, it is called a "term certain" or "fixed-term annuity."
    - Annuities can be deferred or immediate
    - Annuities can be purchased as registered contracts (e.g. RRSP, RRIF, etc.)
    - **Parties**
        - The insurer or annuity provider
        - Policyholder or annuity holder
        - Annuitant or life insured is the measuring life on which the duration of a life annuity is based
        - Policyholder **may designate a named recipient** called the **annuitant grantee** who will receive the actual annuity payments
        - Designated beneficiary
    - **Policyholder**
        - It is the policyholder who has the right to determine to whom the payments will be paid
        - Often referred to as the "annuitant" in annuity contracts, or as the "investor."
    - **Annuitant (life insured)**

        - The person who’s life is being measured by the annuity to calculate the payments. It is not necessarily the same person who is receiving the payments
        - Some policies have a second or successor annuitant, most often a spouse
    - Payee
        - Person to whom the annuity payments will be directed by the policy holder. It could be the policyholder himself or some other payee, including a corporation or trustee
        - For all registered contracts (RRSP, RRIF, LIF, LIRA, DPDP, TFSA, etc.), the policyholder, the annuitant (life insured) and the payee are always the same person
    - Immediate annuities
        - Annuities called immediate or payout annuities provide that the first payment will begin on the next defined periodic annuity frequency period
        - Deferred annuities permit the investment and accumulation of income over time with payments starting later
    - Group annuities
        - Group annuity contracts may be entered into by a group, such as an employer, a union, a professional corporation or association, for the benefit of their employees or members
        - An employer may use a group annuity contract with a life insurance company to capitalize a pension fund, a PRPP (Pooled Registered Pension Plan), a group RRSPs, a DPSPs, as well as other registered or unregistered contracts.
    - Structured settlements
        - Structured settlements153 are a special kind of single-premium annuity, non-assignable, non-commutable and non-transferrable that is accorded special tax treatment. Instead of a court awarding (or the parties to litigation agreeing on) a lump sum in damages, a structured settlement means that the court awards or the litigants agree to a customized stream of damage payments to be funded through the purchase usually by the defendant or the defendants’ insurer of a structured settlement annuity.
        - Generally no tax is payable for damages paid for personal injury as it is compensation for loss of the ability to earn an income. This is the case whether it is a lump sum payment or through annuity payments
- Segregated funds
    - An individual variable insurance contract (IVIC) is in fact an individual annuity contract related to segregated funds. It means that premiums paid are invested in segregated funds managed by the life insurance company
    - The details of an IVIC can be complex. They are governed by insurance legislation, not securities law.

Life Insurance, Accident & Sickness Insurance and Annuity Claims-Payment of Proceeds

Rules pertaining to claims and payment of benefits

Once a life insurance policy matures or the life insured dies, a claimant must satisfy the insurer requirements to have the benefit paid, which includes providing evidence that the life insured has died, and that the claimant is entitled to the benefit. No claims process is identical, and the agent's role may vary depending on the insurer.

- Claimant
    - The claimant may be the insured, the insured's estate, or one or more designated beneficiaries (either a primary or contingent beneficiary)
    - It is possible for a creditor to make a claim under certain situations and a court order may allow for a claim where money is owed for spousal or child support
- Insurer's records
    - Insurers will pay benefits based on the most recent beneficiary designation they have on file, or to the estate if there is no beneficiary designation
- Notice of claim
    - When the insured person dies, the insurer usually receives notice of death from the agent, the estate executor or trustee, a beneficiary or the employer
    - The insurer often relies on the agent to locate the named beneficiary and help them complete the claim form
    - Most of the times the agents know who the beneficiary is because it is usually a family member.
    - Upon receiving a reliable notice of death, the insurer will record it, so no more premiums are charged, and will wait to receive a claim
    - A life insurance policy may set out a time limit in which a claim must be made. But provincial and territorial insurance and limitation period legislation govern when a person makes a claim after the deadline indicated in the insurance policy
- Proof of claim
    - Documents required
        - The first step is for the beneficiary to complete a claim form
        - Once the insurer receives the completed form with the information it requires, it will assess whether a claim is payable and, if payable, pay the person making the claim if that person is entitled to it.
        - The claimant will need to establish the identify of the person who died is the same as the life insured under the policy and provide proof that the insured person has died, their age, that the claimant has the right to receive the benefit and the claimant's name, age and identity
    - Proof of age
        - If the age was satisfactorily established by the agent when the policy was issued or while the life insured was still alive, the insurer will use age indicated in the file when a claim is made, without requiring proof

- Proof of identity
  - Where there is a named beneficiary, the insurer will seek satisfactory proof of identity
- Accidental vs. natural causes
  - Most policies have few restrictions, but where they do, then the insurer or the agent may investigate to determine if they apply or not

Disappearance and presumption of death

Although it does not happen often, insured persons sometimes go missing. If they have disappeared and remain missing for seven years or more, interested parties, most often the family, can ask a Court to declare them dead. They will do this to obtain life insurance proceeds.

- Death of two or more people
  - Sequence of deaths may also be important in order to establish who is entitled to insurance proceeds

Payment into Court

When insurer's have difficulty determining who the beneficiaries are, provincial legislation allows them to pay the benefit into Court, which releases them of liability. Resolution can then be dealt with via a system that is designed to deal with reviewing evidence and claims adjudication

Proceeds on deposit and payout options

- There are several options for the payment of the death benefit – known as **policy settlement options**
- The same form that is used for beneficiary claimant information will also ask the client which payment option they prefer for the death benefit
- **Lump-sum cheque is the most common**, with the insurer making the deposit to their financial institution of choice

Time to pay the claim

- Insurer is required by law to **pay the claim within 30 days** of receiving evidence that satisfies the claim is payable
- Most insurers will pay interest for at least some of the time between death and the payment of the death benefit

Denial of claim

- As described previously there are several scenarios where the insurer will deny a claim. During the application process it important for the **agent to check for possible fraudulent information**
- Payment contrary to public order
  - When a beneficiary causes the death of the life insured, it is considered a violation of community standards or "public order," enabling the insurer to refuse payment, regardless of their intention was to enrich themselves by committing the act

Accident and sickness claims

For certain accidental injuries it might be difficult for the life insured to follow the claims process and legislation allows relief to them in these situations.

- Accidental death and dismemberment claims
  - For loss of life, benefit is paid to the beneficiary, for injury that causes loss, payment is to the life insured
  - Documents required are similar to life insurance and detailed medical evidence from a physician may be necessary to substantiate a claim
- Disability claims
  - The claimant must satisfy the insurer that they meet the definition of disability set out in the policy
  - Being unable to find a job is not a relevant factor under a disability insurance policy
  - Documents required
    - The definitions of "disabled" vary considerably among different policies. Therefore, the documentation required to support a claim will need to match the benefit requirements stated in the insurance policy
    - The insurer will tell the claimant what it needs to assess a claim. Usually, the claimant must complete a statement and have their doctor provide an attending physician's statement (APS). The doctor will be asked to state when the person's condition started. This is important because this insurance has a waiting (or elimination) period. The insurer may use the date given by the doctor to determine when the waiting period began.
    - Sequence of events must be followed to **prove the existence of a disability**: (1) period of total disability may be required before partial disability benefits are available, (2) waiting period must therefore lapse, (3) proof that they can no longer perform their duties of their occupation, (4) periodic assessment of whether claimant is still disabled and (5) assessment as to whether the claimant is still disabled
  - Medical and other examinations
    - Claims are based on medical evidence, from a family doctor or a specialist if required.
    - There may also be additional medical evidence requested by the insurer, as they seek to better understand and verify the nature and extent of an individual's disability
    - For critical illness, a licensed physician specializing in the determined illness diagnosis will be required for confirmation

Segregated funds and annuities

- For immediate or payout annuities that are within their guarantee period, the insurer is obligated to make a lump sum payment for the remaining annuity guarantee or continue making the annuity payments to the **annuity grantee**
- For amounts that are held within 'locked-in' accounts (e.g. LIRA, LIF, etc.) they can only be paid out or transferred as per applicable legislation requirements, which require that locked in funds remain in or transferred to another locked in account

- Death before retirement
    - When a person receives a pension under a pension plan and his or her spouse is also eligible under the same plan, if the person dies, the benefits will become payable to the spouse, even if the spouse was not the designated beneficiary. The spouse may be able to roll it into his own locked-in plan. If there were no eligible spouse, the pension benefit will become payable to the named beneficiary. If there is no named beneficiary, the pension amount will be payable to the estate of the pensioner
- Death after retirement
    - If the pensioner had an eligible spouse, the spouse may be entitled to a survivor's death benefit, usually a reduced amount of the pension that was paid to the pensioner. If there is no eligible spouse, a commuted lump-sum representing the remaining payments in any applicable guarantee (if any) period will be payable to the named beneficiary. If there is no named beneficiary, it would be paid to the estate of the pensioner

Rules and Principles Governing the Activities of Life Insurance and Accident and Sickness Insurance Agents

Strong Ethics and following the rules of the professional practice are fundamental to licensed insurance agents. High standards are critical to maintaining the public's trust in the insurance industry and in the profession of the insurance agent.

Ethical conduct includes (1) dealing with conflicts of interest, (2) client needs analysis, (3) selling ethically, (4) meeting fiduciary obligations and (5) complying with statutes, regulations and codes of conduct

This section defines important concepts that must be understood and applied by all insurance agents

Role of the organization that protect clients

- Provincial and territorial regulatory authorities
    - The federal, provincial and territorial governments legislate and enact regulations for insurance companies. However, the focus of federal supervision under the **Insurance Companies Act** is the financial soundness of the federally incorporated life insurance companies
    - **Provincial authorities** also supervise provincially regulated firms, but they are maintaining sole responsibility for **licensing insurance agents,** the **licensing of insurers** operating within their jurisdiction and the **marketing of insurance products**
    - The regulators take a **risk-based approach** focusing on issues that could negatively impact clients
    - They set expectations and requirements that include
        - Promoting transparency to clients
        - Taking enforcement actions against breaches of conduct
        - Equipping clients with financial knowledge
        - Allowing clients to access independent compliant resolution such as **OmbudService for Life and Health Insurance**
- Canadian Insurance Services Regulatory Organizations (CISRO)
    - The principal responsibility of the members of CISRO is to administer the regulatory system, applicable to insurance intermediaries, under their authority. Although CISRO members cannot enact legislation, they are key advisors to their governments on regulatory issues related to insurance intermediaries
    - The CISRO website includes a link to disciplinary actions taken by insurance regulators. This provides transparency to both the industry and clients
    - In 2018, CISRO published guidance on the fair treatment of customers, which applies to both insurers and insurance intermediaries. It encompasses concepts such as ethical behavior, acting in good faith and prohibition of abusive practices to produce positive outcomes for customers

- Other authorities
    - **Office of the Privacy Commissioner of Canada**
        - The mandate and mission of the Office of the Privacy Commissioner of Canada is to administer enforcement of the federal **Personal Information Protection and Electronic Documents Act (PIPEDA)**, Canada's private sector privacy legislation, and to "protect and promote the privacy rights of individuals
    - **Financial Transactions and Reports Analysis Centre of Canada (FINTRAC)**
        - Mandate of FINTRAC is to help protect the integrity of the Canadian financial system by ensuring life insurance agents and other entities comply with Canada's *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and related regulations. Life insurance agents have a responsibility for reporting suspicious transactions and terrorist property
        - Agents' role under the 'Act' is to (1) ascertain each client's identity and confirming the existence of entities (2) third-party determination, (3) determination of purpose, (4) determination of politically exposed persons and heads of international organizations and (5) obligations to report suspicious transactions, terrorist property and large cash transactions
- Agent's Role under Proceeds of Crime (Money Laundering) and Terrorist Financing Act
    - **Ascertaining the client's identity**
        - The life insurance agent is required to ascertain the identity of a client purchasing an immediate or deferred annuity, or a life insurance policy that is not an exempt policy
        - Exempted products include registered accounts and exempt life insurance
        - The agent must keep a record of the information collected under these laws in the client information record
        - There are three ways to identify the individual (1) **government-issued photo ID** where the document must be authentic, valid and current, (2) **credit file method** from a Canadian credit bureau and has been in existence for 3 years and (3) **dual process method** where information is matched between 2 sources
    - **Confirming the existence of the entity and identifying the beneficial owners**
        - Agent must identify the client if they are a **corporation** or **another type of entity**
        - This type of client must provide acceptable proof of identity, such as a certificate of corporate status and the names of the directors. The client must provide the name, date of birth and information on the authorized signatories of the entity
        - Client must provide names of those who control more than 25% of the entity
        - Agent must retain information on the ultimate beneficiaries of the entity
    - **Third-party determination**

        - Required for applicants that are acting on behalf of a third party
        - A third party is an individual or entity who gives instructions regarding the policy
        - Agent must keep a record of the third-party information including individual or corporate/entity name, address, date of birth, nature of their business and for entities, incorporation number and place of incorporation. Finally the nature of the relationship between the third party and the client
    - **Determination of politically exposed persons (PEP) and heads of international organization (HIO)**
        - A life insurance agent must take reasonable measures to determine if a person is a foreign PEP, a domestic PEP, a HIO, or the family member or close associate of one of these
        - Reasonable measures include (1) asking the client, (2) conducting an open-source search or (3) consulting a source of commercially available information
    - **Determination of purpose**
        - As of 2014, the client must indicate the purpose of the product they are purchasing and to what end it will be used
    - **Obligation to report suspicious transactions**
        - All conducted or attempted suspicious transactions must be reported to FINTRAC as soon as practicable after the agent has taken measures that enable him to establish that there are reasonable grounds to suspect that the transaction or attempted transaction is related to the commission of a money laundering offence or a terrorist activity financing offence
        - Examples include (1) client refuses to provide required identification documents, (2) client is accompanied or monitored, is withdrawn or nervous, (3) client is curious about internal controls or has unusual knowledge of legislation on suspicious transaction reporting, (4) client deposits third-party cheques for large amounts, (5) client is more interested in a product's termination than its long-term advantages or (6) transaction is very complex
    - **Obligation to report large cash transactions**
        - Requirements also apply to large cash transactions, such as a single deposit of **$10,000 or more**, or two or more $10,000 deposits within a 24-hour period. Insurers, however, rarely accept cash payments
        - When a client purchasing a policy makes a deposit of **$100,000 or more**, in any payment form, the agent must check whether the client is a **politically exposed foreign person**. The agent has 15 calendar days after the transaction to report this type of client
- Assuris
    - Assuris is a "not-for-profit organization that protects Canadian policyholders if their life insurance company should fail
    - Life insurance **agents must understand what would happen if an insurance company became insolvent**
    - Level of protection is as follows:

        - Death benefit $200,000
        - Health expense $60,000
        - Monthly income $2,000/month
        - Cash value $60,000
        - Accumulated value 100% up to $100,000 (no additional coverage)
        - Beyond the limits described above, Assuris provides 85% of promised benefits
- OmbudService for Life and Health Insurance (OLHI)
    - A national independent complaint resolution organization providing clients with assistance to their enquiries and complaints pertaining to Canadian life and health insurance products and services
- Canadian Council of Insurance Regulators (CCIR)
    - Similarly to CISRO, the Canadian Council of Insurance Regulators (CCIR) is an inter jurisdictional association of insurance regulators. Their mandate is to facilitate and promote an efficient and effective insurance regulatory system in Canada to serve the public interest
    - The regulators priority is to (1) strengthen the foundation of market conduct, (2) implementing enhanced market conduct supervisory framework, (3) making the supervision of insurance intermediaries more effective and (4) Assisting clients through targeted financial education programs, such as fraud alerts and client information portals
- International Association of Insurance Supervisors (IAIS)
    - Mandate is promoting effective and providing globally consistent supervision of the insurance industry and contributing to global financial stability

Main responsibilities of life insurance agents

This section outlines the responsibilities of life insurance agents within the business conduct framework that follows provincial insurance acts and codes of conducts mandated by regulators, insurers and industry associations. Ethics and professional practices should always be at the core of the activities of the insurance agent. Non-compliance with sound professional practices can lead to harsh penalties, which could be monetary or licensing.

- Principles required of an agent
    - An applicant will be granted a license if the regulator is satisfied that the applicant:
        - Is of **good character and reputation**.
        - is **not engaged in any business or occupation that would jeopardize the applicant's integrity, independence or competence** as an agent.
        - intends to hold himself, herself or itself out publicly and carry-on business in good faith as an agent.
- Rules imposed upon an agent
    - An agent who has a license shall not
        - Offer inducements or use coercion in order to control, direct or secure insurance

    - Make false or misleading statements or representation in the solicitation or registration of insurance
    - Coerce or propose, directly or indirectly, to coerce a prospective buyer of life insurance through the influence of a professional or a business relationship or otherwise to give a preference with respect to the policy of life insurance that would not otherwise be given on the effecting of a life insurance contract

Agent principles and rules:

- ### Acting in good faith
  - Acting in good faith or in a manner that is consistent with the client's best interests is a fundamental aspect of an agent's business conduct
  - **Duty of care**
    - The client's interests take priority over the interests of the agent
  - **Integrity**
    - Agent must be honest, trustworthy, fair, reliable, dependable and respectful
    - If personal integrity is missing, there is little an agent can do to compensate for its absence or to repair the damage to their reputation
  - **Competence**
    - Agents should only carry out business in respect to the products and services for which they have the required competence
    - Where the agent does not have the knowledge and skills, they have an ethical duty to either ask for technical assistance from a colleague or refer the client to someone that can assist
- ### Managing conflicts of interest
  - Situation in which a life insurance **agent is motivated to act by an interest other than that of the client**.
  - Conflicts of interests must be disclosed and managed appropriately
  - **Priority of the client's interest**
    - Agent must not knowingly prejudice the interests of a client for personal gain or take advantage of a client's or an insured's inexperience or ill health
  - **Disclosure of conflicts or potential conflicts of interest**
    - Agents must openly disclose any conflict of interest and they must not place themselves in one either
  - **Product suitability**
    - Agents are expected to follow appropriate client needs-based sales practices to make the most suitable recommendations for prospective client
    - The recommended product must be suitable to the needs of the client. The client's insurance needs analysis must also show that the agent has understood the client's needs and that he puts the client's interests first
    - Agents must (1) perform a client needs analysis, (2) recommend the products that meet the client's needs, (3) explain and document the product recommendation

        - Best practices around product suitability include disclosure to the client, client expectations, fact finding, needs assessment, recommendation and advice and product information
    - Avoiding conflict-of-interest occupations
        - Agent must not be engaged in any business or occupation that would jeopardize the applicant's integrity, independence or competence
        - Regulatory authorities can restrict certain types of additional employment for life insurance agents. For example, restrictions exist on the licensing of clergymen, liquor store employees or police officers. However, regulators have moved away from these specific restrictions for a broader approach
- Refraining from unfair or deceptive practices
    - Tied selling
        - Involves making a purchase of one product conditional on the purchase of another
        - Example: if an agent advises a client that they are eligible for an RRSP loan but must first transfer their RRSP funds to the life insurance company that the agent represents. This is not true and thus deceptive
    - Churning
        - Agent encourages a client to give up one product for another (usually from the same insurer) in order for the agent to benefit from the commission
    - Twisting
        - Agent persuades a client to terminate a policy in view of replacing it with another one (generally from a different insurer)
        - The sale is considered not to be in the best interest of the client and the full consequences of termination (i.e. financial loss) is withheld by the agent
        - The agent profits from the sale through increased commissions
        - Agents must not recommend the replacement of any insurance policy unless they believe that such a replacement is in the best interests of the client
    - Premium rebating
        - Involves an agent giving back or rebating a portion of the premiums
        - Example: an agent sells insurance to a client that was reluctant to sign, so the agent offered to covert the first premium
    - Trafficking in Insurance
        - Agent acts as an intermediary between a policyholder who wishes to sell a policy (give up or absolute assignment) and a potential buyer
        - This practice is prohibited in some provinces (e.g. Newfoundland) and discouraged in others by the industry itself. Several insurers have policies that prohibit this practice as well and could lead to termination
    - Inducing to insure
        - An agent cannot use a gift or offer of payment to convince a client to purchase insurance
        - Example: agent offers to give a discount on a policy benefit such as a rider if they decide to purchase permanent insurance over term
    - Fronting

    - An agent holds a license but chooses to have another agent who did not actually complete the transaction sign as the agent of record, or where an unlicensed person arranges the business and has a licensed person sign on their behalf
    - Example: If an agent who has not completed their license convinces a relative to purchase insurance and gives the business to his manager and they split the commission
  - Unnecessary delay in delivering policies
    - Agent must not hold or retain documents intended for delivery to the client and must deliver insurance policies or evidence of insurance coverage to the client within a reasonable time
  - Misrepresentation
    - It is a violation for any life insurance agent to make, issue, or circulate any illustration or sales material, or to make any statement that is false, misleading or deceptive
    - Example: An agent send a newsletter to their client stating that their life insurance company has products that guarantee 100% of all life payments "no questions asked" and the insurer was never made aware of the publication
  - Misappropriating client funds
    - Taking money or other property received from the client for a specific purpose and fraudulently misapplying it to another purpose is considered a deceptive practice and is illegal
    - Commingling of funds is prohibited
    - Agents must (1) not encumber funds without prior consent of the insurer, (2) not use or apply the funds for purposes other than as described in the agreement with the insurer or the client and (3) pay to the insurer all funds collected or received
    - A number of insurance companies have a no-cash policy in regard to premium payments with an application. They require a cheque drawn on the client's account
    - An agent should never deposit money in his own account, even if the intention is to issue a cheque from that account to an insurer
  - Making a false document
    - Forgery is a criminal offence and involves the agent making a false document and knowingly doing so
    - An agent is required to collect sufficient information to determine client identity and ensure all transactions are lawful. Furthermore, false witnessing of signatures and false declarations violate the professional standards set out in the various codes of conducts
  - Holding out improperly
    - Agents who do not comply with the following requirements are considered to be holding out: (1) ensure their license is posted in a publicly visible place, (2) not mislead as to qualifications or the nature of the business being

conducted, (3) avoid terms that indicate meaningful specialized training and competency unless the agent has actually achieved the claimed level of training/or competency (4) not claim to have "associates" unless there is actually one licensed individual with equal or better qualifications and (5) not hold out as a financial planner unless holding a planning designation recognized by FP Canada

- Misusing company-provided illustrations
    - Life agents should present information about a product accurately, honestly, completely and in clear language. Agents must not change illustrations produced for a client by the insurer
- Defamation
    - It is unethical for a life insurance agent to be maliciously critical or derogatory about any colleague, agency or insurer

- Making proper disclosures
    - Disclosure of information is an expected regulatory outcome. Disclosure is entrenched in the approach to risk-based market conduct regulation and to reinforce fair treatment of clients
    - Product disclosure
        - Agents should also provide complete information about the product and how it meets the client's needs, as well as the life agent's business relationships with the insurer
        - Key items should be disclosed: (1) provinces and territories the agent is licensed to sell, (2) insurer(s) the agent represents, (3) nature of the relationship with the insurer(s) represented, (4) how the agent is compensated, (5) whether the agent is eligible for additional compensation based on other factors, (6) any conflicts of interest
    - Disclosure about replacement
        - To fully understand policy replacement disclosure, a life insurance agent should have a basic understanding of (1) how policies differ; (2) why it might be appropriate to recommend replacement, (3) the risks inherent in replacement even where it may be appropriate, (4) existing insurance that may have cash values and (5) negative tax consequences
        - Life Insurance Replacement Declaration (LIRD): a written comparative explanation of the advantages and disadvantages of replacing the life insurance policy must be completed with the LIRD, and copies of the documents provided to the client
    - Commission sharing
        - Before splitting commissions with another life insurance agent, the agent should ensure that the person is appropriately licenced where necessary, in order to receive the split. Moreover, it is an obligation of the agent to disclose to his client that there has been or will be a commission splitting and provide all relevant details of the commission splitting to his client
    - Referrals and referral fees

        - Referral arrangements consist of a fee paid for each lead or prospect, regardless of whether a sale eventually occurs
        - The agent should disclose details of referral arrangements to clients
        - Most jurisdictions prevent those receiving a referral from not being licensed
- Acting in compliance with regulations and codes of conducts
    - Maintaining the required **liability insurance, errors and omissions (E&O) coverage**
        - This coverage provides indemnity for negligence, error, or omission (professional liability insurance) and protects life insurance agents from financial losses they may suffer
    - **Documenting the file**
        - Agents must keep detailed notes and correspondence of the original transactions, recommendations made and the client's acceptance/non-acceptance of those recommendations
        - The agent will have the necessary proof readily available to prove he carried out his business correctly
    - **Contract delivery**
        - An agent should not deliver the policy to the client without verifying and ascertaining any potential change in his health status
        - An agent must be certain that between the time of signing the contract and delivering it, no change in the health status of the client has occurred.
        - When the insurance policy is delivered (usually within **30 days**), the agent must check that the insured is still in good health. If the agent notices that there have been significant changes in the client's insurability since the application was signed, he must not give him the policy and he must have the application updated
- Handling complaints in a timely and fair manner
    - **Definition of complaint**
        - An expression of dissatisfaction about the service provided by an agent that could involve a financial loss
    - **Ethical complaints**
        - Complaints involving unethical behaviour or alleging violations of codified ethical standards, such as a code of conduct and ethics, should be taken seriously
    - **Procedures to abide by**
        - The life insurance agent should maintain a complaint log (register) to track complaints, to provide any required reports and to maintain a state of readiness for regulatory and other audits
- Core ethical values
    - Acting in good faith
    - Managing conflicts of interest properly
    - Refraining from unfair or deceptive acts or practices
    - Making proper disclosures
    - Acting in compliance of regulation and codes of conduct

- Handling complaints in a timely and fair manner

Licensing process and regulations

- ### Purpose of licensing life insurance agents and agencies
  - Licensing aims to protect the public against incompetent agents, unfair or deceptive practices and unethical activities
  - Life insurance agents are required by statutory law to hold a life insurance license for each province or territory where they carry out business
  - It is the life insurance agent's responsibility to limit his practice to areas in which he has been trained, educated and above all licensed
  - Agents should only sell what they are authorized to sell
- ### Licensing regime
  - Applicants must complete the **Life License Qualification Program (LLQP)**. There are two types **Full LLQP** and **LLQP Accident & Sickness (A&S)**
  - The full LLQP combines life insurance and accident and sickness insurance training. The LLQP Accident & Sickness (A&S) covers accident and sickness insurance only. An A&S agent would then be prohibited from selling any other type of insurance, unless they obtain the full license to do so
  - In addition to passing the LLQP, the applicant must submit a fully completed application to the appropriate licensing authority and the application must be approved before a license is issued
  - Next, the applicant must obtain an employment or an agency contract
  - Fully licensed agents are able to sell the following products
    - Individual and group life insurance policies
    - Individual and group accident and sickness (including disability) insurance policies
    - Individual and group annuities
- ### Selling to and servicing out-of-province clients
  - For agents that want to sell to clients located in another province or territory, a reliance model of reciprocal licensing where regulators can rely on the requirements of an agent's home province, with the option to request further requirements if they feel it is necessary
- ### Revoking a license
  - Regulatory authorities maintain records of agents who have had substantiated complaints, suspensions and revocations of licenses. These records are available to clients.
  - An agent who has had a license suspended may find it extremely difficult to obtain the trust of potential clients.
  - An agent who has had a license revoked will find it extremely difficult to obtain a license again
  - As outlined in the Insurance Act, regulators may suspend or revoke a license if:
    - Has violated any provision of the license in the licensee's operations as an agent

- Has made a material misstatement or omission in the application for the license
- Has been guilty of a fraudulent act or practice
- Has demonstrated incompetence or untrustworthiness to transact the insurance agency business for which the license has been granted

LIFE INSURANCE