MyLegacy

INSURANCE SERVICES

# WRITTEN PROCEDURE FOR MONITORING ADVISORS

# Written Procedure for Monitoring Advisors

The Compliance Officer is responsible for fulfilling advisor monitoring duties.

## 1. Financial Health

Routine monitoring of the advisor's financial health. Generally, through the following:

- Receiving and reviewing garnishment notices from the CRA, letters from that give notice of bankruptcy, report consumer proposals, or other similar notices.
- Carrying out random credit checks. Typical triggers for credit checks include:
  - Change in contract status. (i.e., from personal to corporate)
  - Occurrences of unresolved internal debt. (i.e., from charge backs arising due to lapses)
  - New business after a period of inactivity.
  - Lapses in personal policies owned by the advisor.

## 2. Licensing Requirements

Routine monitoring of advisor's compliance with licensing requirements by:

- Confirming if the advisor has a valid license and the required E&O insurance.
- Routine monitoring of Disciplinary Actions by Regulators which provides added assurance that the advisor is in compliance with the licensing requirements.
- Conducting random checks of license and/or E&O insurance status.
- Verifying advisor's licence and E&O on or before the expiry date and retaining a copy of the documents on file.

## 3. Protection of Personal Information

Advisors are made aware of the importance of maintaining the security and confidentiality of personal information that includes the following:

- Keep sensitive information files in a secure are or computer system and limit access to individual on a "need-to-know" basis only.
- Protect personal information against loss or theft.
- Safeguard the information from unauthorized access, disclosure, copying, use, or modification.
- Protect personal information regardless of the format in which it is held.
  - ➢ Note: PIPEDA does not specify particular security safeguards that must be used. Rather, the onus is on organizations to ensure that personal information is adequately protected.

## 4. Conflict of Interest

Advisors should submit a completed and signed Advisor Disclosure document disclosing the following information to their client:

- Type of license and jurisdiction
- Company(is) that the advisor represents
- Nature of relationship with the companies represented
- How the advisor is compensated (i.e., commissions, fees, salary, etc.) and by whom
- Additional compensation advisors may be eligible to get (cash or non-monetary, such as travel incentives based on other factors
- Actual and potential conflicts of interest
- Additional information that the clients request to receive

**5. Business Practices**

If an advisor has engaged in unfair business, the Compliance Officer will review the transaction in question as well as other recent transactions. The following elements will be considered in the course of this review:

- Financial Needs Analysis
- Advisor Disclosure
- Investor Profile
- Reason Why Letter

**6. Sales Results**

Advisor sales results will be monitored to identify, at an early stage, any irregular sales trends that would be suggestive of unacceptable sales practice. The following elements will be considered:

- Persistency levels under 85%
- Sudden increase in sales (zero to hero)
- Large cases (over $10k)
- Sudden change in an advisor's practice (e.g. type(s) of products or coverage being sold, type of clients being serviced, repetitive coverage amount, etc.)
- Conservation (policies retained vs lapsed)

**Inappropriate Sales Practices include:**

- ✓ Fraud
- ✓ Misappropriation of client funds
- ✓ Forgery
- ✓ Money laundering
- ✓ Selling without a license or otherwise violating the terms and conditions of a license
- ✓ Fronting
- ✓ Breach of privacy or confidentiality laws or rules
- ✓ Violation of holding out laws or rules
- ✓ Failure to disclose a material conflict of interest
- ✓ Tied selling
- ✓ Premium rebating
- ✓ Undisclosed replacements
- ✓ Twisting
- ✓ Churning
- ✓ Poor disclosure, material non-disclosure, including failure to provide the required written disclosures
- ✓ Misuse of, or material changes to, company-provided illustrations
- ✓ Incomplete comparisons
- ✓ Poor needs analysis, failure to assess product-client suitability
- ✓ Coercion or undue influence
- ✓ Incompetence
- ✓ Lack of trustworthiness, where an advisor contract has been terminated for cause
- ✓ Commission sharing with an unlicensed individual
- ✓ Unnecessary delay in delivering policies or failure to deliver policies
- ✓ Trafficking in insurance policies, where prohibited by law
- ✓ Poor file management and record-keeping