**October, 2018**

# Reference Document
# MGA Compliance: A Risk-based Approach for Compliance Programs in the MGA Channel

© Canadian Life and Health Insurance Association Inc., 2018.

# INTRODUCTION

## Background

In 2011, the Canadian Life and Health Insurance Association (CLHIA) in consultation with the Canadian Association of Independent Life Brokerage Agencies (CAILBA) and individual MGAs, launched a Standardized Compliance Review Survey (CRS). The CRS is part of the industry's initiative to increase standardization of practices within the Managing General Agent (MGA) channel. This standardization is intended to address the concerns of regulators and assist in streamlining the compliance practices of insurers and MGAs.

The CRS asks about an MGA's policies and procedures related to its contractual and statutory responsibilities for compliance. It also asks about specific practices in the MGA's compliance program.

In 2015, CLHIA Guideline G 18 "*Insurer-MGA Relationships"* came into effect. This Guideline is intended to bring greater clarity to the roles, responsibilities and accountabilities within insurer-MGA relationships. As set out in G18, the contract between an insurer and an MGA should clearly set out, either expressly or by reference, the MGA's roles and responsibilities with respect to the nature and scope of functions it is expected to perform. The contract should also establish the right of the insurer to monitor the MGA's practices relative to its contractual obligations.

This Reference Document is intended to serve as a guide for MGAs who are developing policies and procedures and deciding how to implement specific practices.

## Roles and Responsibilities of Insurers and MGAs

The central objective of a compliance program is to effectively manage risk. This requires establishing a level of scrutiny that provides a reasonable assurance that the potential for problems can be detected and appropriate steps can be taken to prevent customers being harmed.

MGAs are closer to the advisors and see the business an advisor is placing with multiple insurers. For these reasons, insurers look to their MGAs for this broader view of advisors, with the expectation the MGA will have systems in place to maintain an appropriate level of scrutiny. And because the MGA effectively serves as the insurer's "eyes in the field", insurers rely on the MGA to communicate their concerns about an advisor in a timely manner.

At the same time, this communication is a two-way street. Because an insurer is relying on an MGA to assist in managing its risk in the MGA channel, it is in the insurer's interest to make sure the MGA has the information it needs to accurately assess risk. This involves timely sharing of concerns an insurer may have about the conduct of an advisor that the MGA is monitoring.

## Risk-based Approach

An MGA's compliance program should be risk-based.

The first step in implementing a risk-based compliance program is to assess the risk that an advisor presents.

Once the MGA has made this risk assessment, the next step is to decide on an appropriate level of scrutiny to manage that risk. This involves making decisions about what specific practices will provide a reasonable assurance that the risk is being managed.

**Screening vs. Monitoring in a Risk-based Approach**

Screening practices are intended to assist an MGA in deciding whether or not an advisor is suitable to act as an insurance advisor. Screening serves two key purposes. It helps the MGA decide whether or not to offer a contract to the advisor. And, where the MGA decides to enter into a contract, it helps the MGA assess the risk presented by the advisor. Standards for advisor screening by insurers are included in Guideline G8 "*Advisor Suitability: Screening, Monitoring and Reporting*". Depending on the nature of the insurer's contract with the MGA, the MGA may be conducting this screening.

Screening is done to acquire information about an advisor who is essentially unknown to the MGA. For this reason, screening practices are highly standardized. In other words, all MGAs should use similar screening practices for all advisors.

Monitoring is an on-going process. It is intended to help an MGA manage the risk it has identified. In contrast with screening, monitoring practices vary from MGA to MGA and, for an individual MGA, from advisor to advisor. Requirements for monitoring may be included in insurer-MGA contract, and depending on the province may be included in legislation, regulation, or regulatory guidance. In addition, the MGA must decide what monitoring practices make sense to effectively manage the risks it has identified.

**Organization of Reference Document**

This Reference Document is organized to correspond to the various sections in the CRS.

Each section of the Reference Document begins with a general overview of the compliance functions and their objective.

Following this overview, each section describes factors that are relevant to assessing risk and practices that may be used to manage these risks.

**Terminology**

Throughout this Reference Document, 'advisor' is used to refer to licensed life agents and licensed A&S agents. The use of 'agent' or 'representative' is retained as required to refer to titles of other documents or to quote from these documents.

Where an MGA delegates functions to an Associate General Agent (AGA) or some similar entity, 'MGA' should be interpreted as referring to that other entity as appropriate. These delegations do not change contractual obligations, or the regulatory and legislative obligations of an MGA.

## Related Documents

All of the CLHIA documents referred to in this document are publicly available on the CLHIA website in an area called Materials for Advisors and MGAs under The Industry.

CAILBA has also developed materials to assist MGAs in the preparation of the written policies and procedures referred to in the CRS.

## INITIAL SCREENING OF ADVISORS FOR SUITABILITY

### Overview

As noted in the Introduction, the intent of screening is two-fold. The first purpose is to decide whether or not an advisor is suitable. On this point, under CLHIA Guideline G8, if an insurer has reasonable grounds to believe that an advisor is not suitable, the insurer should not have a contract with that advisor.

The second purpose is to assess the risk that an advisor presents. It is important to bear in mind that "suitable" does not equal "risk-free". Two advisors can be suitable and still present different levels of risk. For example, a younger advisor who is new to the industry may present a higher risk than a seasoned advisor. In this example, a variety of methods could manage the additional risk posed by the younger advisor. Typical practices for managing this risk include training or mentoring the advisor, to name a couple.

A primary step in screening is use of the CLHIA *Advisor Screening Questionnaire* (ASQ) (see Appendix 1). The ASQ is a standardized screening survey that insurers use in all distribution channels. The version of the ASQ in this Reference Document has been adapted for use by MGAs. The questions in the survey remain the same but the instructions and consent have both been modified. As will be explained below, the ASQ is only part of the screening process.

### Industry Practices

The entire screening process involves nine steps. These are:

1. An introduction (typically initiated by the advisor)
2. An interview or other type of meeting in which the MGA decides it has an interest in proceeding
3. Completion of the ASQ by the advisor, including the declaration and consent
4. Review of the advisor's responses on the ASQ by the MGA
5. Verification of the advisors’ responses through various means including third-party checks (e.g., credit) and data bases (e.g., licensing status)
6. Follow-up by MGA sending the Advisor Screening Confirmation Request (SCR) to some or all of the insurers listed in Q19 of the ASQ
7. Insurers completing and returning the SCR to the MGA within five business days
8. Gathering any additional information, not related to compliance/suitability, about an advisor in order to decide whether or not to offer a contract

9. Forwarding ASQ and supporting information to insurer(s) with whom advisor wishes a contract to represent

In real life, these will not always be discrete steps and the order may vary. For example, steps 1 and 2 might be combined, or step 8 might be done earlier before asking the advisor to complete the ASQ.

Step 3, completion of the ASQ, is a significant undertaking for both the MGA and the advisor. For the MGA, it entails taking possession of personal and proprietary business information. For the advisor, it requires time and effort ensuring the answers are accurate and complete. For these reasons, it is prudent to only proceed with this step if the MGA has a reasonable expectation, based on the interview or earlier discussion with the advisor, that it intends to offer a contract to the advisor. It is a good idea for the MGA to keep a note summarizing the reasons for proceeding to this step.

As a means of checking the information provided by the advisor, the MGA may, at its discretion, send the CLHIA *Advisor Screening Confirmation Request* (see Appendix 2) to some or all of the insurers identified in Q19 of the ASQ. The Request should be sent with the accompanying consent signed by the advisor. Insurers will generally complete the Request and return it within five (5) business days provided it is accompanied by a signed consent.

If an advisor answers "yes" to queries about debt, bankruptcy or disciplinary actions in Questions 24-37 of the ASQ, this is generally evidence of heightened risk. The questionnaire indicates additional detailed information that should be provided by the advisor. The MGA should carefully review this detailed information to determine if it adequately addresses concerns about the suitability of the advisor. Regardless of answers about debt and bankruptcy, given the sensitivity of this matter, a credit check should be obtained for all advisors.

Compliance with basic licensing requirements is a key element of suitability. For this reason, routine verification of licence status and E&O coverage are both good practices. The MGA can check provincial databases to confirm that the life licence information provided in answer to Question 38 of the ASQ is accurate.

Similarly, the E&O certificate should be checked to confirm the coverage satisfies minimum provincial requirements related to single claims, aggregate claims and fraud coverage. If an advisor indicates in answer to Question 40 of the ASQ that previous coverage has been declined or cancelled, this is generally evidence of heightened risk. The MGA should carefully review the advisor's explanation to determine if it adequately addresses concerns about the suitability of the advisor.

As part of this verification process, if the MGA sees that the advisor is holding out to the public in a way that is inconsistent with his or her license and/or completed ASQ, the MGA may wish to question the advisor on this point as it may be a sign of heightened risk. Such inconsistencies might be found in things like letterhead, business cards, websites and social media accounts.

A number of specific practices in an advisor's business are subject to stringent regulatory requirements. This includes practices related to privacy, anti-money laundering, telemarketing, anti-spam, managing conflicts of interest and advisor disclosure. If an advisor is not aware of the full extent of these requirements as they apply to his or her practice, this lack of awareness

may create heightened risk. The MGA's screening procedures should be designed to take these potential risks into account.

Insurers may establish specific criteria that exceed the standards for suitability established in the ASQ. MGAs recommending an advisor to an insurer that has established higher standards should only recommend advisors that also satisfy these specific criteria.

In some cases, an MGA may wish to recommend an advisor to an insurer where some period of time has passed since the advisor has completed the ASQ. Depending on the amount of time that has elapsed, the MGA may need to take steps to assure itself that the information on the ASQ is still complete and accurate. In these situations, the MGA should check with the insurer to determine what credit information is required, and how current it must be, to support the advisor's application for a contract.

## ON-GOING MONITORING, REPORTING AND INVESTIGATING OF ADVISORS

### Overview

The purpose of monitoring is to detect and prevent potential problems from becoming actual problems that harm the customer.

An MGA's choice of specific monitoring practices will depend on that MGA's assessment of risk. This assessment will take into account information about the advisor that is gathered in the initial screening process as well as information that is gathered in the course of on-going monitoring. The assessment of risk may also take into account a number of additional factors including the business structure of the MGA, the number of advisors, where the advisors work, the sales and marketing support the MGA provides and the types of products and services involved in typical transactions. For example, a small MGA operating out of a single office and specializing in a limited product shelf may have a different risk assessment than MGAs operating with different business models.

Whereas initial screening is intended to provide a complete picture of the advisor at a single point in time, on-going monitoring is primarily intended to look for signs that there might be a problem.

As noted in the Introduction, both the MGA and the insurer have important roles in ensuring that the monitoring of advisors is thorough and effective. Where either the MGA or an insurer becomes aware that there might be a problem with an advisor, they should inform the other of this potential concern in a timely manner.

The MGA’s reporting of problems with an advisor to a particular insurer should be done in a way that does not disclose specific information about another insurer's products or policyholders. At the same time a concern is being reported to a particular insurer, the MGA should consider heightening its level of scrutiny for all transactions involving that advisor, regardless of the insurer.

Once the insurer receives an MGA's reports about potential concerns, it will assess this information and work with the MGA to take any specific steps that are needed to investigate the concern or heighten the level of scrutiny. Early reporting of concerns to insurers is important

because, in some cases, it may be added to information the insurer has received from other sources and be sufficient to tip the balance about decisions on the most appropriate follow-up.

When reporting concerns about an advisor, each party will need to exercise judgement in determining what constitutes a concern that should be reported. CLHIA Guideline G8 describes factors that affect suitability and gives advice about assessing the risk associated with these factors. As a general principle, given the overall importance of compliance programs as a means of protecting the customer, when there is any doubt, it is best to err on the side of caution and report the concern.

Reports of a concern, whether it is in writing or more informally in a conversation, should be factual and avoid inferences or judgments.

The reporting described in this Reference Document is reporting that goes between insurers and MGAs. This sort of "industry reporting" contrasts with "statutory reporting" to regulators that is required in some provinces. For example, in Ontario, Ontario Regulation 347 requires an insurer to report to the Superintendent where it has "reasonable grounds to believe that an agent … is not suitable."

## Industry Practices for Monitoring

CLHIA Guideline G8 describes specific activities that are unacceptable sales practices and may provide evidence that an advisor is not suitable. The following is not intended to serve as an exhaustive description of these sales practices and how they can be monitored. Rather, for broader categories of sales practices, it explains the objective of monitoring and describes practices or circumstances that may be signs of heightened risk.

As noted in the Overview, the practices described here should be implemented on a risk-based basis. Accordingly, the MGA's policies and procedures should describe the practices that are appropriate for a basic level of scrutiny, indicators that can be used to escalate scrutiny and practices that are appropriate in situations calling for a higher level of scrutiny.

### Know Your Advisor

The objective is to look for signs that an advisor lacks sufficient expertise or experience related to the products or services being recommended.

As part of the screening process, MGAs obtain information about the education, training and experience of advisors. This profile can reasonably be expected to change over time, especially in the case of newer advisors. A profile that does not change may be a sign of heightened risk.

If an advisor's pattern of business shifts and it appears that recent recommendations are not consistent with his or her training and experience, this may be a sign of heightened risk.

If an advisor holds out to customers in ways that are inconsistent with his or her education, training and experience, for example, titles and designations on letterhead, business cards, websites and social media accounts, this may be a sign of heightened risk.

Misrepresentation, Disclosure, Holding Out

The objective is to provide reasonable assurance that the advisor is providing accurate information to the client.

Given the importance to the client of the products and services that advisors are providing, the accuracy of information provided by the advisor is inherently important. As well, evidence that the advisor is providing inaccurate information, either deliberately or inadvertently, calls into question the competence of the advisor and the soundness of his or her advice and recommendations. Finally, in some cases, the information is required by law so failure to provide such information or inaccuracy in the information provided is, by itself, evidence of unacceptable sales practices.

Advisors are asked in Q. 43 of the ASQ if they have a standard disclosure statement with the six-point disclosure advisors are required to provide to manage conflicts of interest (see Managing Conflicts of Interest for more details). If there are changes that affect this disclosure, failure to update the statement may be a sign of heightened risk.

In some cases, the "in good order" requirements for life applications can only be satisfied if the customer has expressly acknowledged receipt of disclosure. Failure to provide this disclosure may be a sign of heightened risk. Examples of relevant disclosure include:

- for transactions involving replacements, the client has a signed acknowledgement of receipt of the LIRD and a written explanation of advantages and disadvantages is in the file; and
- for IVICs, the client has signed acknowledgement of receipt of the Information Folder.

Undue Influence & Needs Based Selling

The objective is to look for evidence that an advisor has, through undue influence, persuaded a client to purchase products or services that are not suited to his or her needs.

Undue influence can be subtle and difficult to detect. Adding to this difficulty is the fact that it can be exercised in almost any set of circumstances.
Two common situations that are often associated with vulnerability and undue influence are age and native language. Evidence that an advisor is placing a disproportionate amount of business or a sudden increase in business with such groups may be a sign of heightened risk even in such circumstances, however, where a needs analysis supports the advisor's recommendations, undue influence is unlikely to have occurred. Accordingly, where an MGA is aware that a transaction involves a potentially vulnerable customer, the potential for risk can be assessed by looking for evidence of needs-based sales practices.

Moreover, MGAs should support needs based sales practices as outlined in the Reference Documents “Serving the Client Through Needs-Based Sales Practices” and “Advisor Disclosure”.

Business Practices

The objective is to look for trends in the advisor's business that would indicate that products purchased by clients are not meeting their needs.

Evidence that an advisor's product recommendations might not be suited to the needs of the client can be found in a number of indicators, including: conservation (i.e., the percentage of policies retained vs. lapsed), persistency (i.e., the percentage of policies in force after a specific period, such as two years) and wastage (i.e., the percentage of policies placed vs. applied for). Where information is available, these indicators can be monitored to identify the emergence of any trends that may indicate a need for closer investigation.

In addition to monitoring the preceding measures, a number of patterns may be signs of heightened risk. These may include changes in:

- the proportion of business placed with different carriers;
- the amount and/or type of business placed; and
- the face amount of insurance sold.

Leveraged strategies are an especially sensitive matter that merits careful attention. The fact that an advisor recommends leveraged strategies does not, by itself, point to a concern. But if, for example, the frequency of such recommendations shows a sudden increase, this may be a sign of heightened risk. Where the MGA is aware that an advisor is recommending leveraged strategies, the risk can be assessed by looking for evidence that the advisor has conducted fact finding that includes financial information about the client. As discussed above, evidence that this strategy is not suitable may also be found in patterns in the business the advisor is placing.

For IVIC transactions, the incidence of deferred sales charges, surrenders within six months and excess withdrawals may all be signs of heightened risk.

Advisor's Financial Health

The objective is to look for signs that the advisor is experiencing financial difficulties that might, in turn, affect his or her sales practices.

Financial difficulties, by themselves, are not evidence of unacceptable sales practices. But they do increase the risk that an advisor may engage in unacceptable practices to increase sales and address his or her own financial needs.

Generally, MGAs should look for signs of financial difficulty in their advisors and use these as red flags to heighten the level of scrutiny for transactions handled by an advisor experiencing difficulty.

Common signs of financial difficulty include but are not limited to:

- garnishments;
- debt in the representative's account; and
- bankruptcy.

Specific Risks

Along with the general areas of concern described above, there are several specific risks that the MGA's compliance practices should be designed to detect.

Fronting occurs when a licensed agent submits an application for insurance and collects a commission on behalf of an unlicensed individual who has sold the policy. Fronting also occurs when an advisor places business with a carrier on behalf of a licensed agent who does not have a contract with the carrier receiving the business. Fronting is not always easy to detect but some of the more obvious indicators that should alert an MGA to the risk include:

- departures in the look of applications and supporting material usually submitted by the advisor;
- changes in the advisor's handwriting on an application; and
- volumes of business that exceed what the advisor would normally be expected to place.

MGAs should we watchful for transactions that could be referred to as viatical settlements. MGA's should bear in mind that the policies of individual life insurers in Canada as they relate to viaticals are generally more restrictive than statutory prohibitions.

Other specific risks that MGAs should be mindful of relate to trafficking and Stranger Owned Life Insurance defined as follows:

**Trafficking**

Facilitating the sale of a customer's insurance policy to a third party that holds itself out as a purchaser of life insurance policies, except to the extent permitted by law.

**Stranger Owned Life Insurance**

Facilitating a customer's application for a stranger owned life insurance ("STOLI") policy. STOLI is generally considered to be an act, practice or plan to initiate a life insurance policy in order to obtain a loan, advance or other payment with the intent of transferring the right to receive a death benefit to a third party, usually an investor, who, at the time of policy origination, has no insurable interest in the insured. The following are not generally considered to be STOLI:

- appropriate recourse financing of needed life insurance; or
- life insurance purchased by the insured in good faith to meet a personal, business, or charitable need.

Finally, in addition to specific indicators in individual transactions, there are a number of intangibles that relate to the advisor's overall ability to provide professional advice and may be indications of altered or diminished capacity. Some of these indicators may relate to business practices or knowledge of insurance.

## Industry Practices for Reporting

The objective of reporting is twofold. The general objective is to ensure that insurers get early indications that there may be concerns or issues with an advisor's advice and business practices. This was referred to as "industry reporting" in the Overview.

In addition, in jurisdictions where MGAs have a duty to directly report concerns regarding the suitability of an advisor to the regulator (e.g., British Columbia), the objective is to satisfy that duty. This is what was referred to as "statutory reporting" in the Overview.

An effective compliance program should be aimed at prevention as much as it is aimed at detecting problems that have already occurred. Timely reporting is critical to prevention. Accordingly, as noted in the Overview, if there is any doubt about what is being observed, it is prudent for the MGA to report this to the relevant insurer.

In the first instance, an MGA may wish to flag the concern with a telephone call to the insurer.

To act on the concern, the insurer will generally require a written report. The insurer will generally provide specific advice to the MGA about what information is required.

Any written report should be objective and fair. It should provide factual information that can be verified. Since reporting is intended to assist the insurer in determining next steps, the reports should not generally include conclusions.

In situations in which an advisor has contracts with multiple insurers, concerns about advice and recommendations related to one insurer's products should only be reported to that insurer. These concerns should, however, be used to heighten the monitoring of transactions involving other insurers.

## Industry Practices for Investigating

The objective is to determine if, in fact, there is a valid concern about an advisor's suitability and what steps should be taken to address this concern.

In extreme cases, an investigation may result in the decision to terminate an advisor's contract and report the advisor to the regulator.

It is possible, however, that an investigation will result in a finding that the concern is unfounded. It is also possible that the investigation will find a situation that can be effectively addressed by other measures such as heightened monitoring, coaching, specific training, etc.

Given that it is the insurer who ultimately bears responsibility for the conduct of an advisor (at least with respect to the selling of its products), the insurer will generally direct the investigation and advise the MGA of what specific steps it should take.

## MANAGING CONFLICTS OF INTEREST

### Overview

The life insurance industry, guided by principles developed by the regulators, has developed a comprehensive set of practices for managing conflicts of interest that may arise in the sale of life insurance.

MGAs should be fully aware of these practices and support them. Support involves implementing the practices, as appropriate, in their own dealings. It also involves promoting a similar in-depth understanding on the part of the advisors of the practices and how they should be implemented.

### Industry Practices

To address the CCIR principle about conflicts of interests, advisors should disclose the following information to their client:

- Licence and jurisdiction;
- Company(ies) that the advisor represents;
- Nature of relationship with the companies represented;
- How the advisor is compensated (e.g., commission, fees, salary, etc.) and by whom;
- If the advisor may be eligible for additional compensation (cash or non-monetary, such as travel incentives based on other factors (e.g., volume of business placed in specific period of time));
- Conflicts of interest, actual and potential; and
- Consumer has a right to ask for more information.

This information is typically provided prior to the advisor first entering into a business relationship with a client. The Reference Document *Advisor Disclosure* (prepared by Advocis, CAILBA, CLHIA and IFB) provides sample templates for common scenarios.

MGAs may wish to provide additional support to assist advisors in the preparation of the required disclosure.

A number of specific situations increase the likelihood of perceived or actual conflicts of interest and may be signs of heightened risk. These include:

- the advisor either borrowing money from or lending to the client;
- recommendations about non-conventional investment opportunities;
- designations of advisors as beneficiaries, trustees and/or executors; and
- transactions in which the advisor is the owner or contingent owner of the policy.

To address the CCIR principle that recommendations be based on the needs of the client, advisors should follow steps for needs-based selling in the Reference Document *The Approach: Serving the Client through Needs-Based Sales Practices* (prepared by Advocis, CAILBA, CLHIA and IFB) and document the information that supports their recommendations.

Concerns about the potential for conflicts of interest can often be addressed by showing evidence of needs-based selling and, in particular, a rationale for the recommendations. Thus, where the MGA is concerned that an advisor may have a conflict of interest, the MGA can look for evidence that the advisor is documenting the client's needs. Alternatively, or in addition, the MGA can look for evidence that the advisor is using available client questionnaires, calculators, etc. to guide fact finding and needs assessment.

## PRIVACY

### Overview

Legislation to protect the privacy of Canadians is well established. In addition to potential legal liability, breaches undermine consumer confidence in financial institutions generally and can negatively affect the reputation of the institutions involved in the breach.

MGAs are subject to privacy legislation in Canada. Privacy legislation in Canada is based on 10 principles which businesses must follow and these are:

1. Accountability
2. Identifying purposes
3. Consent
4. Limiting collection
5. Limiting use, disclosure and retention
6. Accuracy
7. Safeguards
8. Openness
9. Individual access
10. Challenging compliance

MGAs should have written policies and procedures to safeguard the personal information of clients and advisors. Given the possibility of human error, it is important that these policies and procedures address breaches.

Advisors should have policies and procedures that parallel those of the MGA. In many cases, these will be adapted having regard for the scale and nature of their individual practice.

### Industry Practices

At the most basic level, there are a number of features in the workplace that are indicators of sensitivity in relation to privacy. The absence of any of the following may be a sign of heightened risk:

- clean desk policies;
- locks on filing cabinets, etc.; and
- sound-proofing or barriers to protect the confidentiality of oral communication.

At a more technological level, there are a number of practices that provide a minimum level of protection. The absence of any of these may be evidence of heightened risk. These include:

password protection, data encryption to adequately safeguard information while it is being retained or transmitted, and effective destruction of data when it is no longer required.

The growing use of cloud computing to optimize IT resources creates a new level of risk. MGAs entering into third-party agreements for computer services should ensure they have effective control over the transmission of information and storage of information so that adequate privacy safeguards are in place at all times.

## AML/ATF

### Overview

Under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (the Act), insurers, brokers and advisors, among other reporting entities, are required to report certain suspicious transactions to the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC).
Accordingly, MGAs should have a compliance program in place that fully adheres to the requirements set out in the Act and related regulations.

The specific requirements and a description of how they apply to the life insurance industry are set out in FINTRAC Guidelines and Regulations.

Very generally, MGAs should have:

- a compliance officer responsible for the AML/ATF compliance regime;
- written compliance policies and procedures;
- documented assessment of risks and measures to mitigate high risk;
- periodic reviews (at least every two years) of the effectiveness of policies and procedures; and
- a training program for employees of the MGA.

Advisors should have policies and procedures that parallel those of the MGA.

### Industry Practices

The necessary policies and procedures should, among other things, address:
- the roles and responsibilities for identifying reportable transactions;
- record keeping;
- ascertaining identity;
- exceptions; and
- completing and filing reports.

The assessment of risk should, among other things, consider:
- products and services;
- geographic locations of places of business and clients; and
- client and business relations.

A training program should provide basic background about money laundering and terrorist financing activities and specific information about the legislation and the MGA's compliance regime.

## APPENDIX 1

### ADVISOR SCREENING QUESTIONNAIRE
### For use by Managing General Agencies Screening Advisors for Suitability

The Advisor Screening Questionnaire can be found on the CLHIA website at:

https://www.clhia.ca/web/CLHIA_LP4W_LND_Webstation.nsf/resources/Guidelines/$file/mga+asq+Nov+2015+fIllable.pdf

## APPENDIX 2

### CLHIA Advisor Screening Confirmation Request

The CLHIA Advisor Screening Confirmation Request can be found on the CLHIA website at:

https://www.clhia.ca/web/CLHIA_LP4W_LND_Webstation.nsf/resources/Guidelines/$file/MGA+SCR+Fillable+ENG.pdf