

DATE:	19 July 2021	N° 2021-18
CATEGORY:	COMPLIANCE	
TO:	Managing General Agents, Associate General Agents, Brokers, and Associate Agents	
SUBJECT:	SPONSORSHIP	

*This circular replaces **Information Circular 2019-07***

Description Many provincial regulators have requirements for agent licensing that include sponsorship or recommendation from an insurer under certain circumstances. Empire Life does sponsor agent licences on a limited basis and as a sponsor, has an increased responsibility in the eye of the regulator when it comes to agent suitability and monitoring for those agents. Empire Life has now streamlined its process for sponsorship which includes the completion of a form by the MGA to document the request and confirm the required due diligence has been done.

Criteria for Sponsorship Empire Life takes the responsibility of sponsorship very seriously and will only consider sponsoring an individual's licence under one of the following circumstances:

- Individual is part of a legitimate succession plan for a significant block of Empire Life business and is setup to receive appropriate training and supervision while moving toward succession and the licensed agent providing training and supervision agrees to report regularly on those activities using a format provided and reviewed by Empire Life.
- Individual is an existing agent with Empire Life and has demonstrated that they are using Empire Life for the bulk of their sales. They must be set up for training and supervision and the licensed agent providing training and supervision agrees to report regularly on those activities using a format provided and reviewed by Empire Life.
- Individual is new to the industry and is set up with appropriate mentoring, training and supervision and the licensed agent providing mentoring, training and supervision agrees to report regularly on those activities using a format provided and reviewed by Empire Life.

Production Requirements Sponsored agents will be required to produce at least \$20,000 Empire Life FYC annually and the bulk of the agent's overall business submitted to Empire Life. This is an increase from the previous requirement of \$10,000 FYC, but if the agent is giving Empire Life the bulk of their business, this requirement should be easily met. We realize that agents choose products based on what is in the best interest of the client and that may mean placing business with other carriers. However, Empire Life is held accountable for the activities of their sponsored agents and if the bulk of an agent's business is going to another carrier, it is difficult for us to monitor. Agents should seek sponsorship from the insurance carrier with whom they do most of their business. For corporate situations, some regulators require that all agents under the corporation be sponsored by one insurance carrier. In the past, Empire Life did not have a different production requirement for corporations. Effective immediately, Empire Life will require that each agent under the corporation be submitting the bulk of their business to Empire Life for the reasons above to ensure that we can monitor those we sponsor effectively. Each agent under a corporation must produce at least \$10,000 FYC.

New Process Effective immediately, the following process needs to be completed in order to be sponsored by Empire Life:

- All requests for sponsorship must be submitted to Empire Life using the new **Request for Sponsorship** form (see copy included with this circular). This form can be found on our website under the Compliance section. This form must be completed by the MGA and sent to distribution.practices@empire.ca. Your request will be reviewed with the Regional Vice President for the applicable region and if it is approved, you will be advised by the Distribution Practices team how to proceed with sponsorship.
- If you have a situation for sponsorship that falls outside of the criteria and would like it to be considered sponsorship, please provide a business case in writing to your Regional Vice President, Distribution.

Monitoring and Renewals

Sponsorships will be assessed prior to each sponsorship renewal to determine whether we will continue to sponsor the licence. In addition to production levels, Empire Life will also review internal data in areas such as size of in force block, persistency, consumer complaints and market conduct issues. We will also review the data collected from the supervisor. This enables us to have a well-rounded view of the sponsored agent's practices.

If we determine we are agreeable to renewing, we will contact the sponsored agent 90 days prior to the renewal, requesting the completion of a compliance questionnaire to confirm they are in compliance with industry and regulatory requirements. Completion is mandatory and needs to be done as soon as possible after the receipt of the questionnaire to ensure renewal of licence occurs in a timely manner. Any deficiencies that are noted will be required to be remedied within 60 days.

If you have any questions regarding sponsorship qualifications, please contact your Regional Vice President, Distribution or myself.

Reference **Lisa Lawlor, Director, Distribution Practices**