

EMPIRE LIFE INFORMATION CIRCULAR

DATE: February 13, 2012

Nº. 2012-07

CATEGORY : INSURANCE AND INVESTMENTS

TO : Managing General Agents, Associate General Agents, Brokers,
General Agents, Independent Financial Advisors and National Accounts

SUBJECT : **Fronting**

What is fronting? In recent months there has been significant industry discussion around “fronting”. We would like to clarify our position on this type of conduct.

Fronting occurs when:

- A licensed advisor chooses to have another advisor, who was not at all involved in the completion of the transaction, sign as agent of record (*Example: Advisor A, who is licensed, has Advisor B sign and submit applications to Empire Life because Advisor A does not have a contract with Empire Life. Advisor B has never met the client, but is signing to be agent of record*), or
- An unlicensed person transacts business and has a licensed person sign and submit the document(s) to an insurance company on their behalf (*Example: Mr. A does not have a life licence, but has a client who wants insurance. He makes arrangements with Advisor C to sign and submit applications to Empire Life. Advisor C has never met the clients, but is signing to be agent of record*).

Consequences of fronting Empire Life strictly prohibits fronting in any form. Any advisor found to be involved in fronting will:

- have their contract vested immediately and the ability to service clients will be removed,
- be responsible for potentially significant chargebacks as the result of the inability to continue to place new business,
- be reported to the regulator, and
- put their licence in jeopardy.

If you have any questions, please contact any member of your sales management team.

Reference **Lisa Lawlor**, Manager, Field Operations and Market Conduct