

APPLICATION FOR BUSINESS LICENCE - FINANCIAL INSTITUTIONS

TO: DEPARTMENT OF GOVERNMENT SERVICES
Financial Services Regulations Division
2nd Floor, West Block
Confederation Building
P.O. Box 8700
St. John's, NL
A1B 4J6
Telephone: (709) 729-2595 Facsimile: (709) 729-3205

FOR OFFICE USE ONLY

Fees Paid
Receipt No
Date of Receipt
Processed by
Tracking No.
Effective Date

LICENCE APPLIED FOR

Insurance Adjusters, Agents and Brokers Act (IAAB):
Insurance Adjustment Company
Life (Accident and Sickness) Insurance Agent
Life (Accident and Sickness) Insurance Broker
Accident and Sickness Insurance Broker
Accident and Sickness Insurance Agent

Travel Insurance Agent
Property and Casualty Insurance Agent
Property and Casualty Insurance Broker
Special Insurance Broker

APPLICANT INFORMATION

Type of Business: Partnership Corporation

Applicant's Name:

Head Office in Canada:

Street Address

P.O. Box No.

City

Province

Postal Code

Telephone

Facsimile

() -

() -

Please list address of all BRANCH OFFICES or BUSINESS LOCATIONS IN NEWFOUNDLAND AND LABRADOR (on a separate page if necessary)

SPONSOR INFORMATION (Insurance Agents/Brokers only) Sponsor must be licensed under the Insurance Companies Act of Newfoundland and Labrador

Name

Street Address

P.O. Box No.

City

Postal Code

Telephone

Facsimile

() -

() -

OTHER INFORMATION

1. Please provide a list of authorized officials for licence applications and specimen signatures.

2. List name and office of officers of a Corporation or partners of a Partnership:

Name

Office Held

3. Has the applicant or any officer, director or partner of the applicant:

(a) been convicted of a criminal offence within the last five years or have any outstanding charges against them? Yes No

If yes, give full particulars

- (b) ever held a licence under the IAAB? ___ Yes ___ No
If yes, give full particulars _____
- (c) ever had a licence under the IAAB refused, suspended, or revoked? ___ Yes ___ No
If yes, give full particulars _____
- (d) been the subject of bankruptcy proceedings within the last five years? ___ Yes ___ No
If yes, give full particulars _____

4 Please provide the following information:

- (a) a copy of the most recent financial statements of the applicant;
- (b) proof of registration under the Corporations Act of Newfoundland and Labrador;
- (c) a copy of the Articles of Incorporation (**Please note that the Articles of Incorporation must be approved by the Superintendent of Insurance prior to registration under the Corporations Act**);
- (d) proof of fidelity and errors and omissions insurance;

5. Individual responsible for the regular operation of the company or partnership (must hold the highest level of licence in Newfoundland & Labrador for the field of insurance in which the company/partnership proposes to engage). Does not apply to Accident & Sickness Broker/Agent and Travel Insurance Agent.

(Indicate Level III Representative or Level IV Adjuster)

UNDERTAKING OF APPLICANT

The applicant agrees to the following:

- (a) all individuals transacting business on behalf of the applicant will be licensed as representatives under the IAAB (application forms available upon request). Does not apply to Travel Insurance Agents;
- (b) the applicant will comply with all Sections of the IAAB Act and Regulations (copies available from the Office of the Queen's Printer @ (709) 729-3649), including those related to trust funds and financial filings (refer to Memorandum attached).

CERTIFICATION

I, _____, CERTIFY that I am an officer, director or partner of the applicant and am properly authorized to make this application; that all the information given by me is true and complete and that I realize failure to provide full and true information may result in suspension or revocation of the licence.

DATED _____, 20 _____

Signature of WITNESS

Signature of Authorized Signing Official

Name (Please Print)

Name (Please Print)

Address

UNDERTAKING OF SPONSOR

(Name of Sponsor) _____ recommends the applicant as fit and proper to receive a licence and gives notice that the applicant is authorized to represent the Sponsor when the licence is issued.

The Sponsor agrees:

- (a) to perform all responsibilities required of a Sponsor by the Insurance Adjusters, Agents and Brokers Act and Regulations;
- (b) that employment of the applicant in the capacity authorized by the licence applied for shall not commence until the licence is issued; and
- (c) to give written notice to the Insurance and Pensions Division of the Department of Government Services and Lands, forthwith, should the applicant cease to represent the Sponsor.

DATED _____, 20 _____

Name of Sponsor

Per: _____

Authorized Signature

Title of Official Signing

REMINDER:

- Is application signed?
- Is payment enclosed? (Cheque must be made payable to: Newfoundland Exchequer Account.)
- Is list of signing officials and signatures enclosed?
- Is list of branch offices and business locations complete?
- Is proof of liability & fidelity insurance enclosed?

Financial Services Regulation Division

FEE SCHEDULE

Licensing and Annual Filing Fees

Insurance Adjusters, Agents and Brokers Act

Individuals ¹ – Adjuster or Representative	\$ 125.00
Partnerships or Corporations - Agent, Broker or Adjustment Company	300.00

Insurance Companies Act

Insurance Companies	
Direct Premiums Written ² of \$0 to under \$5 million	\$ 2,500.00
Direct Premiums Written ² of over \$5 million	4,000.00

Examination Fees

Life Licence Qualification Program	
- Qualification Exam	
- Full	\$ 100.00
- Accident & Sickness	75.00

These fees are effective from April 26, 2007

¹ No fee is payable where the individual has attained the age of 65 years and whose remuneration from insurance activities in the preceding calendar year was less than \$2,000

² Direct Premiums Written in Newfoundland and Labrador as reported in last year-end annual financial return to regulators

APPLICATION CHECKLIST FOR AN AGENT/BROKER INSURANCE LICENCE

Before submitting the application to our office, please ensure the following items are included:

- A completed application form including the ‘Undertaking of Sponsor’ section signed by a licensed insurer;
- The licence fee of \$300 (cheques are to be made payable to the Newfoundland Exchequer Account);
- Company must obtain extra-provincial registration with the province prior to making application with this Division. This registration can be obtained by contacting the Commercial Registrations Division (709-729-3317) of the Department of Government Services. The registration must indicate the business of the corporation as being “Insurance, Broker/Agent”, re: Form 24, question 4;
- If a non resident applicant, provide proof of insurance registration/licencing from resident/home jurisdiction;
- A list of the officers and directors of the company;
- A list of authorized officials, including title(s) and specimen signature(s) who are authorized to sign on behalf of the company, e.g. new applications and renewals;
- A current Certificate of Insurance for both professional liability and fidelity coverage, naming the applicant as the insured. The deductible should not exceed \$10,000. The enclosed ‘Confirmation of Insurance Coverage’ form can be completed for any individuals who are to be licenced and not named as an insured, but are covered under the company’s policy;
- A copy of the most recent financial statements (not required to be audited). If a new company, provide pro forma financial statements;
- If a trust account is to be maintained for Newfoundland and Labrador premiums, a certification form signed by an authorized signing officer attesting to the financial position of the trust account must be provided (sample enclosed);
- If a trust account is not going to be maintained for Newfoundland and Labrador premiums, the enclosed ‘Declaration Form’ must be completed which states that no trust funds are to be maintained.

Reminder:

Before a licence can be issued to an Agent/Broker, the company must have an individual who will be the Designated Representative. This individual must be an officer or director of the company and hold a Level III insurance licence in NL.

**Financial Reporting Requirements for
Licensed Insurance Agents and Brokers
Under the *Insurance Adjusters, Agents and Brokers Act***

The following are the financial reporting requirements for licensed agents and brokers as prescribed by the Superintendent of Insurance:

1. Trust account requirements

Section 30(1) of the Act states:

"All funds received or receivable by an agent, broker or representative in the course of the business of that agent, broker or representative

- (a) on behalf of an insurer from members of the public, less the commission and other deductions authorized by the insurer in writing; and*
- (b) on behalf of members of the public from an insurer,*

are considered to be trust funds."

Part II of the Regulations to the Act outline trust fund requirements for all licensed agents, brokers and representatives. The Regulations state:

"An agent, broker and special insurance broker shall maintain a trust account, that may be interest bearing at a chartered bank, trust company or credit union in the province [of Newfoundland] to be used solely for the discharge of trust obligations under the Act."
(emphasis added)

Exceptions

- 1. Where an agent/broker receives trust funds that are either made payable directly to the beneficiary or remitted to the beneficiary within three business days of receipt, there is no need to maintain a trust account. Licensees in this case are required to file a Declaration (see attached) stating that trust funds are maintained on this basis.
- 2. Where the agent/broker, who is also licenced to operate in another jurisdiction(s) in Canada, provides audited financial statements in which Newfoundland and Labrador business is not segregated and the Balance Sheet-Trust Fund reports a surplus, the agent/broker does not need to separate Newfoundland and Labrador premiums or maintain a trust bank account in this province. If the trust position should ever become deficient, an audited statement for Newfoundland and Labrador business may be required, or the Superintendent may determine other appropriate action.

2. Annual Statement of Financial Affairs

Section 33 (1) of the Act states:

"An individual, a partnership or corporation licensed as a representative, agent or broker shall present annually to the Superintendent, not later than 3 months after the fiscal year end of the representative, agent or broker, a statement of financial affairs of the insurance business of the licensee in a form prescribed by the superintendent for the period then ended."

Pursuant to this, the following form of the annual statement of financial affairs is prescribed:

- (a) Auditors' Report (encompassing (b) through to (f) below)
- (b) Balance Sheet - General Fund
- (c) Balance Sheet(s) - Trust Fund(s) (as per required format; see attached **Form A**)
- (d) Income Statement - General Fund
- (e) Statement of Changes in Financial Position - General Fund
- (f) Notes to Financial Statements
- (g) Auditors' opinion on compliance with the legislation relating to trust accounts and financial statements (as per suggested format; see attached **Form B**).

Exceptions

1. Where a licensee does not need to maintain a trust account because the trust funds received are either made payable directly to the beneficiary or remitted to the beneficiary within three business days of receipt and has filed the prescribed Declaration (see "Trust account requirements"), there will be no requirement for financial statements of either the general fund or the trust fund, and further, no requirement for a six month trust position report (see 3. Other Financial Reporting Requirements below). (See attached **Form D**)
2. If the agent/broker, who is also licenced to operate in another jurisdiction(s) in Canada, is concerned with providing the audit opinion on compliance with the legislation in the format required, possible alternatives are as follows:
 - (a) agents/brokers may maintain a trust account in a financial institution in the Province of Newfoundland and provide an audit opinion and audited trust statements (as well as an unaudited six month trust position report) for Newfoundland and Labrador business only. This would include a statement on the assets and liabilities of Newfoundland and Labrador policies as well as an opinion on compliance with the Newfoundland Regulations.
 - (b) make arrangements for another agent or broker, that is licensed in the Province of Newfoundland and maintains a trust account, to collect premiums on your behalf and remit them to the insurer.

3. Other Financial Filing Requirements

Section 68 of the Insurance Adjusters, Agents and Brokers Regulations states:

"In addition to the requirements of section 33 of the Act, the superintendent may require an agent, broker, special insurance broker or representative to file a statement of financial affairs in a form prescribed by the superintendent at the times that the superintendent considers necessary."

Pursuant to this, each licensed agent or broker must file an unaudited semi-annual report within 60 days after the first six months of each fiscal year. This report will consist solely of the "Balance Sheet - Trust Fund" as at the end of the second quarter, prepared by the company and certified by management in accordance with the attached certification. (See attached **Form C**)

**SUGGESTED
AUDITOR'S REPORT**

To the Superintendent of Insurance for the Province of Newfoundland and Labrador:

I have audited _____'s compliance for the fiscal year ending _____ with the criteria established by the Trust Accounts and Financial Statements provisions described in Sections 57 to 68 of the Insurance Adjusters, Agents and Brokers Regulations. Compliance with these regulations is the responsibility of management. My responsibility is to express an opinion on this compliance based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether complied with the regulations referred. Such an audit includes examining, on a test basis, evidence supporting compliance with the referred provisions, evaluating the overall compliance with the referred provisions, and assessing the accounting principles used and significant estimates made by management.

In my opinion, _____ is in compliance, in all material respects, with the provisions described in Sections 57 to 68 of the Insurance Adjusters, Agents and Brokers Regulations.

Declaration

I, _____ (Name, please print) of the city/municipality
_____ in the Province of _____ do hereby declare that:

- (A) I am applying for or currently hold a(n) _____
issued under the *Insurance Adjusters, Agents and Brokers Act* of Newfoundland
and Labrador.
- (B) I am employed with _____ (company or partnership
name), "the company", and am the person responsible for the regular operation
of the company.
- (C) All trust funds that are to be received by the company whether collected by
the company or a representative, will either be made payable directly to the
beneficiary; or if received in the form of cash or otherwise will be remitted to the
beneficiary with three business days of receipt.
- (D) I will immediately notify the Superintendent of Insurance of any amendments to
the above items.

(Signature)

(Date)

(Witness signature-must be an
Officer of the Company)

(Date)

Note Individual Licence:

- Life Insurance Representative: Level III
- Life(Including Accident and Sickness) Insurance Representative: Level III
- Accident and Sickness Insurance Representative
- Property and Casualty Insurance Representative: Level III

Certification

I, _____ {Name, please print} of the city of
_____ in the province of _____ am an Officer,
namely _____ (Title) of
(company or partnership name), "the company", certify that the attached Balance
Sheet - Trust Fund has been prepared from the books and records of the
company, which books and records are maintained in accordance with generally
accepted accounting principles, and to the best of my knowledge and belief, is
correct and complete and shows the financial position of the trust fund on the
day of _____, 20 .

(Signature)

(Date)

(Witness Signature)

(Date)

ABC Company Limited
Balance Sheet - Trust Fund
As at _____ (Date)

	199X	199X
ASSETS		
Cash on Hand		
Balance of Trust bank Account(s)	_____	_____
	_____	_____
Net allowable receivables:		
Premiums receivable (net)		
Less: receivables over 90 days old	_____	_____
	_____	_____
Investments held in trust	_____	_____
Receivable from General Fund	_____	_____
LIABILITIES		
Payable to insurance companies		
Retail Sales Tax Payable	_____	_____
Payable to General Fund	_____	_____

Note:

- (1) Ensure the total for premiums receivable is net of prepaid premiums and refunds due to insured.

Liability and Fidelity Coverage under the Insurance Adjusters, Agents and Brokers Regulations

Liability Coverage

36. (1) A license shall not be issued except upon proof satisfactory to the superintendent that the applicant will be covered for the duration of the license by a policy of
- (a) Liability insurance for an amount of at least \$1 million, or \$1.5 million in the case of a special insurance broker under section 24 of the Act, in respect of an occurrence with regard to negligent acts, errors or omissions with extended coverage for loss resulting from fraudulent acts pertaining to the licensed activity; and
 - (b) Fidelity insurance against losses arising from dishonesty of employees, a proprietor, partners, directors, officers or shareholders for an amount of at least \$100,000 in respect of an occurrence.
- (2) The policies of insurance referred to in this section shall be in a form acceptable to the superintendent and shall be issued by an underwriting insurer acceptable to the superintendent.
- (3) A license expires on the date of the effective cancellation or non-renewal of an insurance policy unless before that date the insurance is replaced in compliance with subsection (1).
37. A policy of insurance specified in section 36
- (1) (a) Shall not contain a deductible clause in an amount greater than 10,000 for each occurrence, unless the licensee files proof of financial responsibility acceptable to the superintendent.

LICENSING HIGHLIGHTS

- ▶ Our new system came into effect on January 1, 1997 and provides for the issuance of a one-time licence. This means licences have no expiry dates. New licence certificates are not issued annually.
- ▶ A licence remains in effect until the licensee returns it to our office for cancellation, sponsorship is terminated or we suspend or cancel it for cause. (Sponsors will be notified of returned, suspended, and cancelled licenses).
- ▶ A licensee must file an Annual Return and pay an annual fee for the licence to stay in good standing. With the exception of licences issued as a result of amalgamations, Annual Returns are due by the end of the month in which a licence became effective (e.g. licence issued effective June 15, 1998 - first Annual Return due by June 30, 1999, with subsequent returns due by June 30 each year).
- ▶ Failure to file an Annual Report and pay the annual fee by the required date may result in licence suspension, and where necessary licence cancellation.
- ▶ Sponsors should note this means:
 - (a) their sponsored licensees will have different filing dates based on the effective date shown on each licence;
 - (b) a new licence is not issued annually; and
 - (c) we will notify you of a returned, suspended, or cancelled licence.
- ▶ Licensees requiring written verification of their licence status may:
 - (a) obtain a copy of their licence showing the date the copy was produced; or
 - (b) obtain a Certificate of Authority.
- ▶ Where a licensee changes sponsor:
 - (a) the sponsor must file a Notice of Termination of Sponsorship form within 2 business days;
 - (b) the licensee must complete a new application for licensing and return the existing licence; and
 - (c) upon approval the new application we will issue a new licence and the old licence will be cancelled.
- ▶ A licensee may apply for re-classification to a higher level licence where the relevant qualifications are achieved. Re-classification may take place:
 - (a) any time during the year by completing a new application for licence; or
 - (b) at Annual Return filing time by attaching the required documentation as indicated on the licensee's Annual Return Form.The existing licence must also be returned.

Upon approval of the higher level licence, we will issue a new licence. The old licence will be cancelled.

Where re-classification is applied for at the time the Annual Return is filed, the annual fee of \$125 will be applied to the new licence. The month end that the Annual Filing is due will not change.Where re-classification is applied for other than at the time the Annual Return is filed, a \$125 licence fee is required. When the new licence is issued, the Annual Return filing date will move to the end of the month in which the new licence became effective.
- ▶ Please make cheques payable to the *Newfoundland Exchequer Account*.
- ▶ Questions concerning the above may be directed to the telephone number listed below.

(2000-07-20)

(LETTERHEAD OF AGENT OR BROKER)

CONFIRMATION OF INSURANCE COVERAGE

(For use where a Representative is covered under Sponsor's policy)

(Name of agency or brokerage)

(Name of sponsored representative)

This is to certify that the insurance policies noted below have been issued in the name of the above named agency/brokerage and extends coverage to sponsored representatives, one of whom is the individual named above.

(Authorized signature)

(Date signed)

=====

Liability Policy

Fidelity Policy

Policy Number: _____

Policy Term: _____

Coverage: _____

Deductible: _____

Broker/Insurer: _____
