

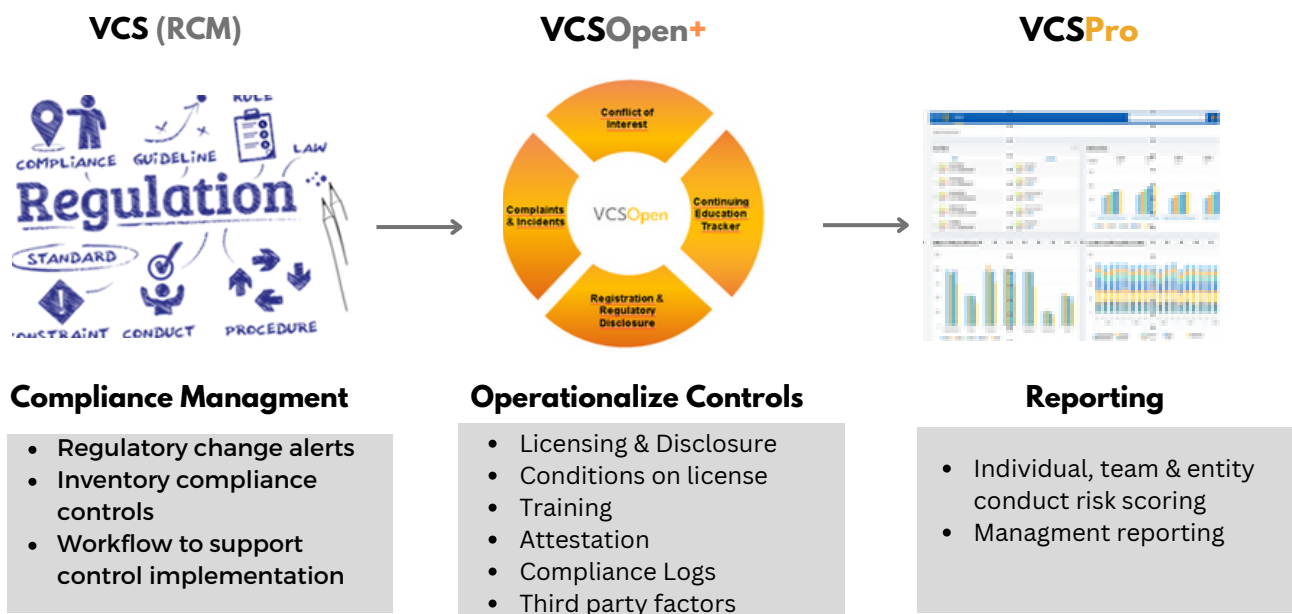
## Building an individual compliance file: The guide to Know Your Advisor (KYA)

### Life & Health Insurance

Increasingly regulators are focusing on individual compliance behaviour to proactively manage a culture of compliance. This is clear in the following examples:

- **Office of the Superintendent of Financial Institutions (OSFI):** Culture and Behaviour Risk Guideline
- **Canadian Investment Regulatory Organization (CIRO) and NI31-103:** focus on risk-based audit
- **Financial Services Regulatory Authority of Ontario (FSRA):** recent life and health insurance agency review and focus on proactive assessment of risk

To understand behaviour, a core requirement should be connecting the dots between the regulatory obligations, how effectively an individual completes those obligations and understanding individual and management compliance patterns to improve supervision.



\* VigilantCS has partnered with CUBE.global to track regulatory change and assess future direction. CUBE uses natural language processing (NLP) to track insights from over 700 jurisdictions in 180 countries.

### Building an individual compliance file for KYA

An individual compliance file allows you to assess compliance patterns and build appropriate and specific compliance mitigations. It should provide the following:



**360-degree view:** Individual compliance is a behaviour. Capturing and assessing behavioural factors requires a review of the individual license file, conditions on licenses, training, incidents, and other compliance factors.



**Hierarchy:** To understand the individual, you must understand the manager, recruiting agent and team members. The individual compliance file needs to be based on the registered entity's HR hierarchy, regulatory supervision hierarchy, location and team structure to assess compliance patterns.



**Role-based access:** A staff compliance book of record allows for sharing information with multiple departments and third parties based on roles, thereby improving transparency and corporate accountability.



**Open architecture:** Regulators are constantly changing their focus and requirements. A behavioural risk algorithm needs to be flexible and support various factors.



**Customizable models:** Individual data can be ingested into a flexible algorithm to assess individuals, managers, the team, the entity and the enterprise. Improved flexibility allows the algorithm to generate assessments based on conduct allowing for a risk-based approach to compliance.

## Sample Use Case

The VigilantCS platform can support multiple regulatory regimes to improve advisor and individual supervision. As a use case, consider the recent FSRA notice. FSRA highlighted four factors:

- a) **Recruitment:** agents were compensated for their own insurance sales and those of their recruits. This might have motivated the recruitment of individuals who were not yet licensed and resulted in sales by many newly licensed agents.

The VigilantCS platform captures recruitment teams. It tracks, assesses and supports onboarding and supervision and conducts risk assessments of individuals, including new agents, so that they can sell and act in their client's best interests. In addition, recruiting agents can be assessed based on the quality of their recruited agents.

Team Code	First Name	Last Name	Corporate	Manager	Primary Location
Rob-Admin R...	Robert	Smith	ABC Financial Inc.	Ross McLeod	
Rob-Admin R...	James	Thuman	ABC Financial Inc.		
Rob-Admin R...	John	Admin	ABC Financial Inc.	Robert Smith	
Rob-Admin R...	Ron	Collins	ABC Financial Inc.	Jane Singer	0002
Rob-Admin R...	Algebra	Perez	ABC Investment Advisors Inc.		

- b) **Training:** the training of agents lacked the substance, rigour, and reporting mechanisms to ensure agents understood their customers' needs and were able to serve them.

The VigilantCS platform offers carriers, managing general agents (MGA), and agents a method to track and assess the completion of onboarding, Know Your Product (KYP), and annual regulatory training from proprietary and third-party training sources offered online or in person through an open digital platform. The result is improved training quality, increased agent productivity and compliance for insurance, CIRO and financial planning designations.

Course Code	Course Title	Course Description	Course Type	Course Category	Status	Actions
ABC-101	ABC-101	ABC-101 Description	Internal	English	Completed	[Icons]
ABC-102	ABC-102	ABC-102 Description	Internal	English	Completed	[Icons]
ABC-103	ABC-103	ABC-103 Description	Internal	English	Completed	[Icons]
ABC-104	ABC-104	ABC-104 Description	Internal	English	Completed	[Icons]
ABC-105	ABC-105	ABC-105 Description	Internal	English	Completed	[Icons]
ABC-106	ABC-106	ABC-106 Description	Internal	English	Completed	[Icons]
ABC-107	ABC-107	ABC-107 Description	Internal	English	Completed	[Icons]
ABC-108	ABC-108	ABC-108 Description	Internal	English	Completed	[Icons]
ABC-109	ABC-109	ABC-109 Description	Internal	English	Completed	[Icons]
ABC-110	ABC-110	ABC-110 Description	Internal	English	Completed	[Icons]

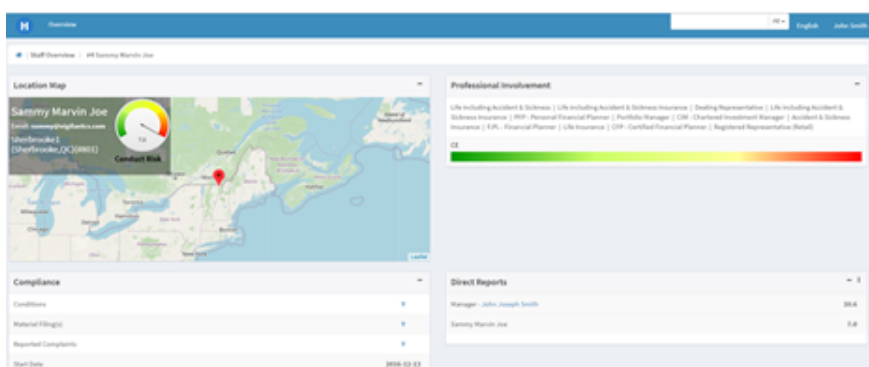
- c) **Oversight:** relatively complex products were sold by agents without adequate oversight to ensure product suitability and fair treatment of customers.

The VigilantCS platform allows carriers and MGAs to adopt a risk-based approach to file reviews using supervision, complaints, incidents, policy sales history and other factors through our open conduct risk algorithm. The result is improved supervision and reporting aligned with regulatory expectations while decreasing the cost of such reviews.

Staff Name	Office Location Code	Job Title	Conduct Risk Score	Model	Corporate	HR Manager	MCO Number	Compliance
Adam Smith		Branch Manager	0.000	VCR Conduct	ABC Investment Advisors Inc.		44444444	
Jane Carter	ABC	Portfolio Manager	0.700	VCR Conduct	ABC Investment Advisors Inc.	Jane Singer	44444444	
Joe Smith		Operations Manager	0.000	VCR Conduct	NA	Robert Smith		
Alexandra Perez		Staff	0.000	VCR Conduct	ABC Wealth Management			
Alexander Davis		Investment Advisor	0.000	VCR Conduct	ABC Investment Advisors Inc.		444444	
Alan Jones		Staff	0.000	VCR Conduct	NA	Robert Smith	444444	
Alan Jones	ABC	Representative Advisor	0.000	VCR Conduct	ABC Investment Advisors Inc.	Robert Smith	44444444	
Barbara W.		Investment Assistant	0.000	VCR Conduct	ABC Investment Advisors Inc.		2444	
Bob Smith		Staff	0.000	VCR Conduct	ABC Financial Inc.		200000000	
Bob Risk		Assistant Portfolio Manager	0.000	VCR Conduct	ABC Investment Advisors Inc.		2444	
Samuel Carter		Office Manager	0.000	VCR Conduct	ABC Investment Advisors Inc.		2000	

- d) **Proactive:** insurers and MGAs performed minimal formal and proactive supervision of their agents to ensure fair treatment of customers.

VCSPPro offers agents, MGAs and carriers a framework to build a proactive assessment of conduct risk and discover the basis of such scoring. Not only does this improve supervision, but it also allows firms to introduce controls such as further training, supervision, monitoring and compensation to incent an improved culture of compliance.



**This paper is for information purposes only and not meant to provide legal or regulatory advice**

**If you have any questions or want to learn more contact:**

Robert Kirwin  
rkirwin@vigilantcs.com  
Vigilantcs.com