

**Financial Services Regulatory  
Authority of Ontario**

**Office ontarien de réglementation  
des services financiers**



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August 3, 2018

To: Greg Pollock, Advocis, Financial Advisors Association of Canada (Advocis)  
Clementine Peacock, Canadian Association of Independent Life Brokerage Agencies (CAILBA)  
Nancy Allan, Independent Financial Brokers Canada (IFBC)

**RE: FSRA Fee Rule Industry Advisory Group – Life Insurance Agents**

We are writing to request your assistance in the formation of an ad hoc, sector-specific, special purpose Fee Rule Industry Advisory Group (IAG) to provide views to the FSRA management and Board of Directors, in advance of pending formal 90-day public consultations on a proposed fee rule. The proposed Terms of Reference are attached for your information.

The Financial Services Regulatory Authority of Ontario (FSRA) is a new, independent regulatory agency established by the *Financial Services Regulatory Authority of Ontario Act, 2016* (FSRA Act) to regulate non-securities financial services and to improve consumer and pension plan beneficiary protections in Ontario and to enhance innovation and market integrity and stability.

It will regulate many sectors that are important to Ontario consumers and pension plan beneficiaries: property and casualty insurance, life and health insurance, credit unions and caisses populaires, loan and trust companies, mortgage brokers, health service providers (related to auto insurance), and pension plan administrators. When operational, FSRA will be a self-funded, well-resourced regulator capable of responding to the dynamic pace of change in marketplace, industry and consumer expectations.

FSRA is implementing a transition plan to assume regulatory functions currently under the auspices of the Financial Services Commission of Ontario (FSCO) and the Deposit Insurance Corporation of Ontario (DICO). FSRA is committed to an open, transparent and collaborative approach that involves stakeholders and ensures broad input and perspectives to inform its direction.

The legislative framework in the FSRA Act, when proclaimed, will provide FSRA with specific rule-making authorities under the regulated sector statutes and the FSRA Act, including the authority to make rules governing fees and other charges. FSRA is now working on a fee rule which will form the source of its funding. The FSRA Act, pending proclamation, provides for a 90-day formal public consultation process on proposed rules. Given that the fee rule will be its first rule-making activity and that FSRA wishes to obtain stakeholder input before the formal public consultation, FSRA would like each industry to provide feedback on the draft fee rule for its sector before the FSRA Board formally proposes a rule for consultation.

FSRA Fee Rule Industry Advisory Group –  
Life Insurance Agents  
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As respected, established organizations with a strong knowledge of stakeholders in the life insurance agents sector, we believe you are well-placed to ensure appropriate outreach and representation that reflects a breadth of perspectives from your industry.

*We are requesting that Advocis, CAILBA and IFBC work together to propose up to 10 (ideally 6-8) individuals for your IAG who will, pursuant to the Terms of Reference provided, be able to attend two meetings: one with FSRA management between August 21<sup>st</sup> – 29<sup>th</sup>, and one with the FSRA Board on either September 5<sup>th</sup> or 7<sup>th</sup>.*

These meetings are intended as part of stakeholder engagement on FSRA's funding model, prior to the pending formal 90-day public consultation period, with the goal of ensuring FSRA is well informed of industry views and concerns before proposing a fee rule for formal consultation. We appreciate your assistance in proposing representatives for the IAG.

Please note we are seeking to ensure broad representation from a wide range of stakeholders in your industry. We request that any unrepresented (i.e., non-members of your associations) industry participants that may contact you are consulted when you are forming the proposed IAG. We will be communicating this letter and the attached Terms of Reference to other industry participants, including posting on the FSRA website, and plan to direct industry participants to contact you if they wish to participate in or influence your IAG.

Please provide the names and contact information for the proposed IAG and its lead contact point to Cathy Mallove at [cathy.mallove@fsrao.ca](mailto:cathy.mallove@fsrao.ca) by August 10, 2018.

Following the FSRA Board's August 14 meeting, we will confirm the composition of the IAG and the dates proposed for meeting with FSRA management and the FSRA Board.

If you require any further information, please contact Cathy Mallove at [cathy.mallove@fsrao.ca](mailto:cathy.mallove@fsrao.ca) .

Thank you in advance for your assistance with this important consultation - we look forward to working with you and your industry on this and other matters as we build FSRA and strengthen our financial services sector.

Regards,



Bryan Davies,  
Chair, FSRA



Mark White  
Chief Executive Officer, FSRA

cc: Brian Mills, CEO and Superintendent of Financial Services, Financial Services Commission of Ontario

Guy Hubert, Chief Executive Office, Deposit Insurance Corporation of Ontario

David Wai, Assistant Deputy Minister, Financial Services Policy Division, Ontario Ministry of Finance

Cathy Mallove, Communications Lead, FSRA



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# Terms of Reference: FSRA Fee Rule Industry Advisory Group

<b>Name:</b> FSRA Fee Rule Industry Advisory Group	<b>Date:</b> August 2, 2018
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## Mandate

The FSRA Fee Rule Industry Advisory Groups (IAG) are special purpose, ad hoc groups being established to provide regulated sector industry insight and views to the FSRA management and Board of Directors related to the development of funding model options for FSRA, prior to formal, statutorily required 90-day consultations on a new fee rule.

## Overview

The FSRA Fee Rule Industry Advisory Group (IAG) is formed based on the background set out in, and for the purpose articulated, in the August 3, 2018 letter from The Financial Services Regulatory Authority of Ontario (FSRA) attached hereto.

### *Rule-making authority*

Formal public fee rule consultations, as stipulated in the *Financial Services Regulatory Authority of Ontario Act, 2016* (FSRA Act), are planned for Fall 2018, pending proclamation of the Act. After the 90-day formal public consultation, FSRA will review the comments received and incorporate changes as it determines is appropriate. Any material changes would require an additional 90-day consultation period. After the 90-day FSRA public consultation is complete, the Board may recommend the fee rule to the Minister for approval, with the Minister approving or rejecting the proposed rule within a 90-day Ministerial review period.

### *Development of funding model options*

FSRA management, with support from Optimus | SBR, FSCO and DICO, has conducted research and information gathering, including a jurisdictional scan, current state analysis, and informal interviews with other regulators and a representative sample of regulated sector opinion leaders.

Prior to the formal 90-day public consultations on a proposed fee rule, the FSRA Board is seeking industry views to inform its final decision on the rule to be subject to the public consultation. These industry views will be provided in each sector by the IAG governed by these Terms of Reference for that sector.

While FSRA may, in part based on its learnings from this stakeholder engagement, develop other industry advisory committees and mechanisms to ensure stakeholder input and engagement, it is not expected that the Fee Rule IAGs will be used for other purposes.



## Representation

FSRA is seeking assistance from industry associations to ensure appropriate outreach and representation that reflects a breadth of perspectives from organizations in the sectors that FSRA will regulate. IAG representatives will be proposed by the industry associations noted in the attached letter.

IAGs will be asked to express representative industry views directly to FSRA management and the FSRA Board in meetings.

While the existence of the IAG process will be public, FSRA will be treating IAG input as privately expressed views and does not intend to publicly communicate or attribute the views expressed to it by the IAG. The IAG is permitted to communicate its views to its industry as it feels is most appropriate.

While FSRA is seeking to learn industry views prior to the formal 90-day public consultation period, FSRA will welcome all submissions during the 90-day consultation, and participation (or non-participation) in the IAG does not restrict the ability to comment during the 90-day consultation period.

Public description of submissions to FSRA on the proposed fee rule will occur as part of the formal 90-day public consultation process.

## Composition

Each IAG will have a maximum of 10 members to allow for dialogue and discussion. IAGs will be established for the following sectors:

- Credit Unions
- General/Property and Casualty Insurance
- Health Service Providers
- Life Insurance Agents
- Life and Health Insurance
- Mortgage Brokers and Agents
- Pension Plans

## Vision and Principles

FSRA would like industry views on the proposed guiding principles it is using to guide the development of a fee rule in each regulated sector. More detailed descriptions of the summary below will be provided to the IAGs to support meetings with FSRA's management and Board.

Vision	Principles
<b>Simplicity</b>	- Low administrative burden for regulated entities and FSRA
<b>Consistency</b>	- Predictability - Competitiveness and a level playing field
<b>Fairness</b>	- Direct costs are borne by sectors - Proportional and causation-based cost bearing - Reasonable allocation of common costs (e.g. by activity level, regulatory benefit and/or ability to pay)
<b>Transparency</b>	- Accessibility and disclosure - Comprehensibility
<b>Future Focus</b>	- Prospective - Flexible
<b>Support Regulatory Objectives</b>	- Support regulatory objectives

## Proposed Fee Rule

In mid-August FSRA management expects to communicate a proposed fee rule, and detailed Vision and Principles, to the IAG for industry review and comment. Each IAG will be asked to consult within its industry to provide representative views on the fee rule proposed by FSRA. The nature and content of such consultation by the IAG with its industry members is in its discretion and is intended to be assisted by relevant industry associations.

The goal is to ensure that FSRA is aware of any industry views which may affect the proposed fee rule before FSRA formally proposes a fee rule and engages in the 90-day statutorily-required public consultation, pending proclamation of the FSRA Act.

## Frequency and Duration

Each IAG will be invited to participate in two meetings to provide industry representative views on the fee rule:

- 1) August 21 – 29, 2018: an up to 2-hour meeting with FSRA management and its consultants. At this meeting FSRA will advise the IAG of the proposed fee rule for its sector and the reasons for such proposal. The purpose will be to inform FSRA of industry views and to permit the IAG to ask questions and prepare for the meeting with the FSRA Board.

- 2) September 5 or 7, 2018: a 1-to-1.5-hour meeting with the FSRA Board of Directors. This meeting will permit the IAG to present its views directly to the FSRA Board and for the Board and industry IAG to discuss issues related to the proposed fee rule.

It is anticipated that the IAG will conclude its work after the second meeting, but it may be asked for further input by FSRA management or Board of Directors.

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## **Core Responsibilities**

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Specific responsibilities of the Fee Rule Industry Advisory Group in providing advice and feedback to FSRA on the proposed fee rule include, but are not limited to:

- Determining its own internal governance (e.g., Chair; spokespersons) and industry liaison
- Reviewing background material in preparation for meetings with FSRA management and the Board
- Using its best efforts to develop an industry consensus on the proposed fee rule and to express representative industry views to FSRA
- Preparing for and attending meetings with FSRA Management and Board