



**Market Conduct:
Life and Health Insurance Agents**

Life Agent Thematic Examinations: Tiered- Recruitment Model MGAs

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Executive Summary

Buying life and health insurance is one of the most important financial decisions a consumer may make. With many options available, most consumers rely on life and health insurance agents (“life agents”) to assess their needs, provide advice, and to make sure they are buying the right product for their needs.

The Financial Services Regulatory Authority of Ontario (FSRA) has observed sales practices by a segment of the life and health insurance sector that creates substantial risk of consumer harm. As detailed in this report, FSRA examined 130 life agents working for three managing general agencies (MGAs) that use a tiered-recruitment model. The examinations found unacceptable levels of life agent non-compliance. Specifically, 50 percent of the life agents examined were found to have contravened the *Insurance Act*. We also observed other concerning practices that could lead to poor consumer outcomes, including:

- failing to complete continuing education as required to maintain an insurance licence
- not sufficiently disclosing to their customers the insurers they represent
- not sufficiently disclosing to their customers how conflicts of interest will be managed
- misrepresentation to FSRA
- potential gaps in agent training and supervision
- many instances where agents were not following best practices, including cases involving the sale of complex Universal Life insurance policies

As a result of the *Insurance Act* contraventions identified, FSRA took enforcement action against 65 life agents.

These examinations have further highlighted concerning practices among agents and insurers connected to MGAs that use a tiered-recruitment model. To address these issues, FSRA may conduct further reviews and follow up with insurers, as appropriate. FSRA also plans to launch a consumer education initiative, propose new industry guidance, and propose a Rule to enhance the MGA regulatory framework.

By taking this action and addressing these problems head-on, FSRA believes it will improve the conduct practices of life agents, MGAs, and insurers, and ensure people who contravene the *Insurance Act* face consequences. FSRA’s goal is to empower consumers to feel confident that they are getting insurance products that are right for them and their families.

Overview

Consumers buy insurance so they can have the certainty of guaranteed protection when they need it. They often see insurance as a vital part of their financial safety net. Buying life and health insurance, and insured wealth products such as segregated funds, is one of the most important financial decisions a consumer may make. With many options available, most consumers rely on life and health insurance agents (“life agents”) to assess their needs, provide advice, and to make sure they are buying the right product for their needs.

To promote FSRA’s vision of financial safety, fairness, and choice for Ontarians, FSRA published its Life and Health Insurance Agent Supervision Framework¹ (the “Framework”) in March 2022. The Framework tests and verifies life agent compliance with the *Insurance Act* (the “Act”) and its regulations, and alignment with *Guidance: Conduct of Insurance Business and Fair Treatment of Customers*² (“FTC Guidance”).

In September 2022, the *CCIR Cooperative MGA Thematic Review – Consolidated Observations Report*³ (the “CCIR Cooperative MGA Thematic Review”) was published with respect to three MGAs that utilize a tiered-recruitment business model, namely: Greatway Financial Inc. (“Greatway”), World Financial Group Insurance Agency of Canada Inc. (“WFG”), and Experior Financial Inc. (“Experior”). The review found the subject MGAs lacked mechanisms to ensure consumers are treated fairly, and identified four main areas of concern:

1. life agents were compensated based not only on their own insurance sales, but also on insurance sales made by the people they recruit. This business model could have motivated the recruitment of individuals who are not yet licensed and resulted in sales by many newly licensed life agents.
2. training of life agents lacked important substance, rigour, and reporting mechanisms to ensure they understood and were able to serve customer needs.
3. relatively complex products were sold by life agents without adequate oversight to ensure product suitability and fair treatment of customers.
4. insurers and MGAs performed minimal formal and proactive supervision of their life agents to ensure fair treatment of customers.

¹ [Life and Health Insurance Agent Supervision Framework](#)

² [Guidance: Conduct of Insurance Business and Fair Treatment of Customers](#)

³ [CCIR Cooperative MGA-focused Thematic Review](#)

In September 2022, FSRA published a follow-up report⁴ to the *CCIR Cooperative MGA Thematic Review*. FSRA committed to, among other things, conducting thematic examinations of life agents licensed in Ontario and contracted with the three MGAs reviewed under the *CCIR Cooperative MGA Thematic Review*.

Using the Framework, between May 2022 and April 2023 FSRA conducted three thematic examination campaigns to review the compliance and business practices of 130 life agents contracted with the subject MGAs. It is important to note that the life agents selected for examination were representative of the entire group of life agents contracted with each of the subject MGAs, and none of the life agents selected were the subject of previous regulatory supervision action by FSRA, or otherwise risk-identified. This report, *Life Agent Thematic Examinations: Tiered-Recruitment Model MGAs*, details the outcomes of those life agent examination campaigns. The practices of the life agents of the subject MGAs were observed to be even worse than reviews of life agents that had been specifically selected due to past misconduct or having been the subject of complaints. This is harmful to consumers and points to the need for additional regulatory action in respect of agents, MGAs, and insurers.

Reporting life agent supervision outcomes helps achieve FSRA's statutory objectives by contributing to public confidence through promoting transparency, disclosure of information, and deterring deceptive or fraudulent conduct, practices, and activities. This not only demonstrates FSRA's regulatory effectiveness, but it is of key importance to protecting Ontario consumers by identifying any inappropriate or unfair practices identified by FSRA in the life and health insurance sector so that insurers and intermediaries may review and improve their market conduct practices. To that end, in May 2023, FSRA published the *Life and Health Insurance Agent Supervision Report, Third Edition*⁵ sharing 2021-22 supervision outcomes under the Framework ("2021-22 Life Agent Supervision Report").

What are the outcomes of Life Agent Thematic Examinations: Tiered-Recruitment Model MGAs?

Of the 130 life agents selected for examination, 9 (6 percent) were unresponsive and 2 (1 percent) voluntarily surrendered their license in response to FSRA's Notice of Examination. This means FSRA proceeded with 119 life agent examinations and took appropriate action against the other 11 life agents.

⁴ [Follow up to CCIR Cooperative MGA Thematic Review](#)

⁵ [2021-22 Life and Health Insurance Agent Supervision Report](#)

Notable compliance outcomes include:

- 65 life agents (50 percent) were cited with a total of 184 contraventions of the Act, and 11 (8 percent) examinations were closed with no concerns.
- of the 65 life agents cited with contraventions of the Act:
 - 21 (32 percent) were issued a Notice to Impose Summary Administrative Monetary Penalty (“SAMP”) by the Life Agent Unit,
 - 1 (1 percent) was issued a letter of warning,
 - 4 (6 percent) were issued business practice letters, and
 - 39 (60 percent) were escalated to a Regulatory Discipline Officer (RDO).
- of the 39 life agents escalated to RDO:
 - 15 (39 percent) were issued a Notice to Impose SAMP,
 - 8 (21 percent) were issued Letters of Warning,
 - 3 (8 percent) ceased operation (license lapsed),
 - 1 (3 percent) voluntarily surrendered their licence with conditions, and
 - 12 (31 percent) are under review as of May 31, 2023.

Notable sales practice related outcomes include:

- 28 life agents (24 percent) reported no sales for 2020 or 2021,
- 458 client files were reviewed, and 92 life agents (77 percent) were cited with a total 1302 best practice issues.
- of the 92 life agents cited:
 - 56 (61 percent) were issued business practices letters, and
 - 36 (39 percent) had both best practice issues and contraventions of the Act.

In addition:

- 94 life agents reported being a part-time life agent (79 percent), and 86 reported holding an occupation or employment other than a life agent (72 percent).
- in 2020, a total of 1335 insurance policies were reported sold across all product types. Of these sales, 774 were reported to be Universal Life policies (56 percent).
- in 2021, a total of 1582 insurance policies were reported sold across all product types. Of these sales, 900 were reported to be Universal Life policies (57 percent).

Why are industry best practices significant?

As set out in the Framework and the 2021-22 Life Agent Supervision Report, best practices are key to promoting consistent standards for the life and health insurance industry to demonstrate suitability of insurance sales and alignment with FTC Guidance. If an unsuitable product is sold to a client, it increases the risk for consumer harm. FSRA's supervision outcomes to date suggest a link between contraventions of the *Act* and not following industry best practices.

Why is the tiered-recruitment business model significant?

Although the tiered recruitment model of the subject MGAs is not representative of all MGAs, the 12,775 life agents contracted with the subject MGAs at time of examination represented approximately 20 percent of the life agents licensed in Ontario. As noted above, 79 percent of the life agents examined reported being a part-time life agent, and 72 percent reported holding an occupation or employment other than a life agent.

When compensation for life agents is heavily influenced by the sales of individuals they recruit, this creates the potential to focus on recruiting to a greater extent than agent suitability and customer needs analysis. Considering this risk does not exist in other MGA business models, FSRA expects MGAs that utilize a tiered recruitment model, and the insurers that conduct business with such MGAs, to have effective oversight systems in place to manage this risk, as well as any other potential risks to the consumer.

Why is the sale of Universal Life policies significant?

Universal Life insurance is a complex and specialized product, which can raise concerns about its suitability for many consumers. Examination outcomes indicate that life agents contracted with the subject MGAs are predominantly selling Universal Life policies. In many cases these agents are relatively inexperienced. Considering outcomes further demonstrate a high ratio of contraventions of the *Act* and failure to follow industry best practices, FSRA is concerned the insurers and MGAs captured in this report may not have effective oversight processes in place to manage potential risks to the consumer, and to demonstrate suitable sales, particularly in the case of inexperienced life agents selling Universal Life policies.

Going forward, FSRA will continue to assess how insurers, life agents, and other regulated entities are affected by distribution channels and MGA business models, including continuing

to explore how industry best practices may become requirements in Ontario in support of fair treatment of customers. For life agents, this ongoing assessment will be carried out under the Framework and will include the fourth edition of FSRA's *Life and Health Insurance Agent Supervision Report*, to be published later this year.

What do consumers need to know?

Life agents that do not meet continuing education minimum standards are failing to meet proficiency requirements to maintain their licence. This creates the risk that consumers are not receiving the best professional advice they can, which can lead to unfair outcomes for consumers.

When life agents are not being transparent with consumers by providing appropriate disclosure of insurers represented and potential conflicts of interest, this creates the risk that consumers are not being provided with the full range of options available, and that the life agent may only be disclosing the insurers or products that provide the best compensation option for the life agent, without adequate knowledge of the consumer's needs. Certain products may not be affordable to consumers, and certain product illustrations may rely on assumptions that are misleading or not relevant for the consumer.

When life agents are not subject to appropriate training and monitoring, this creates the risk that consumers are being sold products that the life agent does not fully understand and/or that provides the best compensation option for the life agent, which can lead to unfair outcomes for consumers.

When consumers are sold an unsuitable product that does not meet their needs or provide the outcome they anticipated (e.g., purchasing a life insurance policy the consumer understood to be an investment product), or the policy is unaffordable and lapses, the consumer loses the premiums paid into the policy that may have been otherwise invested. In some cases, this can be a significant or total loss of all of the premiums paid towards the policy.

Introduction

FSRA is an independent regulatory agency that places a strong emphasis on improving consumer protection in Ontario. FSRA promotes high standards of business conduct and good administration of wealth and insurance products by regulating financial services sectors, including life and health insurance.

Life and health insurance agents (“life agents”) are intermediaries who sell and service insurance products on behalf of approximately 70 insurance companies licensed in Ontario. FSRA licenses and supervises almost 66,000 life agents who play a vital role in ensuring Ontarians have access to the advice and products they need to financially protect themselves and their families.

On January 1, 2021, FSRA implemented *Guidance: Conduct of Insurance Business and Fair Treatment of Customers*⁶ (“FTC Guidance”) adopted by the Canadian Council of Insurance Regulators (“CCIR”) and the Canadian Insurance Services Regulatory Organizations (“CISRO”). The FTC Guidance sets expectations for the conduct of insurers and other entities FSRA regulates under the *Insurance Act* (the “Act”) with respect to the fair treatment of customers. The FTC Guidance applies to all insurance licensees, including life agents. Life agent suitability is essential in achieving fair treatment of customers. This starts with screening life agents for suitability, and it continues with monitoring their business practices throughout their careers.

In July 2021, FSRA published its *Insurer-MGA Relationship Review Report*⁷. FSRA determined that, as insurers have shifted to the Managing General Agency (“MGA”) distribution model, many have also delegated a variety of life agent-related functions to MGAs, such as life agent screening, training, supervision, and monitoring. Since the delegation of life agent-related functions to MGAs does not discharge insurers of their oversight responsibilities under the Act, FSRA expects insurers to develop and implement strong compliance frameworks for the supervision and oversight of the MGAs and life agents that distribute their products.

In March 2022, FSRA published its *Life and Health Insurance Agent Supervision Framework*⁸ (the “Framework”). The compliance requirements and expectations considered within the Framework are not new to life agents, insurance companies, MGAs, or other intermediaries.

⁶ [Guidance: Conduct of Insurance Business and Fair Treatment of Customers](#)

⁷ [Insurer-MGA Relationship Review Report](#)

⁸ [Life and Health Insurance Agent Supervision Framework](#)

The Framework has been used to test and verify life agent compliance with the Act and its regulations, and alignment with FTC Guidance, which includes providing appropriate advice, managing conflicts of interest, and putting the consumer's interests first.

In September 2022, FSRA published its *CCIR Cooperative MGA Thematic Review – Consolidated Observations Report*⁹ (the “CCIR Cooperative MGA Thematic Review”) with respect to three MGAs that utilize a tiered-recruitment business model, namely: Greatway Financial Inc. (“Greatway”), World Financial Group Insurance Agency of Canada Inc. (“WFG”), and Experior Financial Inc. (“Experior”). FSRA determined that life agent-related oversight functions were delegated to the MGAs by insurers. The MGAs then further delegated to downline life agents, which could potentially result in market conduct risk and consumer harm. Also in September 2022, FSRA published a follow-up report¹⁰ to the *CCIR Cooperative MGA Thematic Review*. FSRA committed, among other things, to conducting thematic examinations of life agents licensed in Ontario and contracted with the three MGAs reviewed.

Under the Framework, FSRA conducted three thematic examination campaigns between May 2022 and April 2023 to review the business and compliance practices of life agents contracted with Greatway, WFG and Experior. This report, *Life Agent Thematic Examinations: Tiered-Recruitment Model MGAs*, summarizes the outcomes of those life agent thematic examination campaigns. In addition, in May 2023, FSRA published the *Life and Health Insurance Agent Supervision Report, Third Edition*¹¹ sharing 2021-22 supervision outcomes under the Framework (“2021-22 Life Agent Supervision Report”).

Reporting life agent supervision outcomes helps achieve FSRA's statutory objectives by contributing to public confidence through promoting transparency, disclosure of information, and deterring deceptive or fraudulent conduct, practices, and activities. Reporting on unacceptable conduct practices is of key importance to protecting Ontario consumers by identifying gaps that need to be addressed by so that insurers and intermediaries may review and improve their market conduct.

⁹ [CCIR Cooperative MGA-focused Thematic Review](#)

¹⁰ [Follow up to CCIR Cooperative MGA Thematic Review](#)

¹¹ [2021-22 Life and Health Insurance Agent Supervision Report](#)

Approach

FSRA's life agent examination program is designed to test and verify life agents' compliance with the Act and its regulations, and alignment with FTC Guidance, which includes providing appropriate advice, managing conflicts of interest, and putting the consumer's interests first. The life agent examination program established under the Framework consists of six-steps:

1. notice of examination, with instructions to complete and attest to a questionnaire.
2. review of the completed questionnaire.
3. request for life agent client files.
4. review life agent client files to verify compliance with the Act and industry best practices.
5. life agent interview.
6. closing letter confirming life agent examination outcomes.

At the questionnaire phase of the examination program, life agents are required to submit, among other things, continuing education certificates, proof of errors and omissions insurance, sales reports for the previous two calendar years, current commission chargeback debt, and outside business activities.

Life agents who are unresponsive to any part of the examination program are in contravention of the *Insurance Act* and escalated to a Regulatory Discipline Officer. Life agents who voluntarily surrender their license to avoid submitting to an examination are flagged on FSRA's licensing system and are subject to examination if they apply for reinstatement.

Between May 2022 and April 2023, FSRA conducted thematic examinations reviewing the business and compliance practices of a total of 130 life agents contracted with Greatway, WFG and Experior. The subject MGAs provided FSRA with requested datasets relating to all Ontario licensed life agents contracted with the MGA as of April 2022, including the contract start date for each life agent.

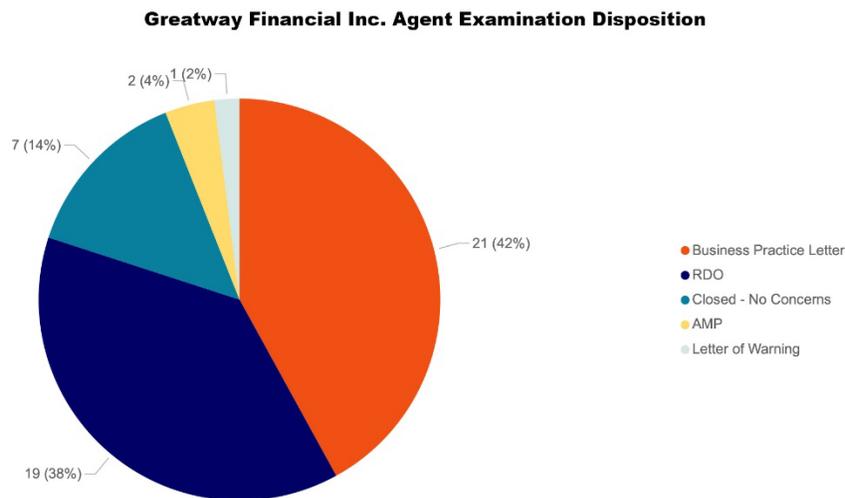
Managing General Agency (“MGA”)	# Agents	# Selected
Greatway Financial Inc. (“Greatway”)	1,191	50
World Financial Group Insurance Agency of Canada Inc. (“WFG”)	10,586	50
Experior Financial Inc. (“Experior”)	998	30

The life agents selected for examination were representative of the entire group of life agents contracted with each of the subject MGAs. None of the life agents selected for examination were the subject of previous regulatory supervision action by FSRA or otherwise risk-identified.

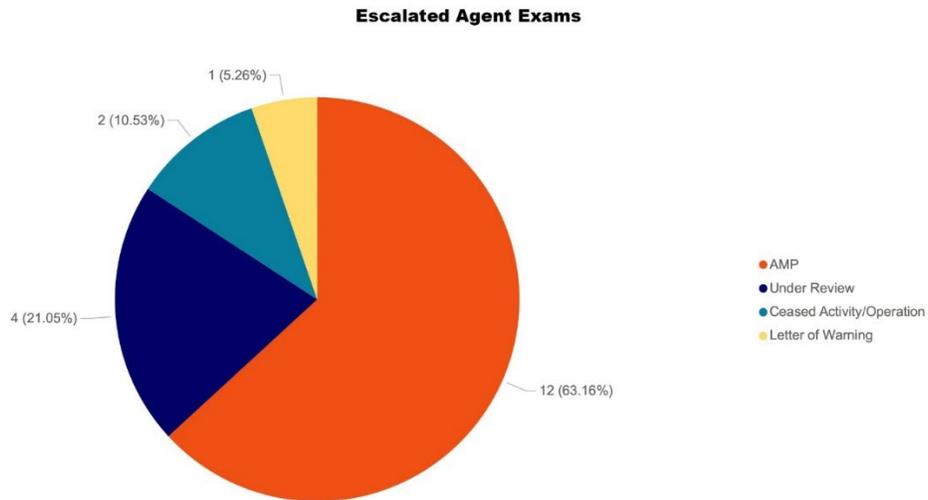
Outcomes

Examination outcomes for the life agents of each of the subject MGAs are summarized below.

Of the 50 Greatway life agents selected for examination, 21 (42 percent) were issued a business practice letter, 19 (38 percent) were escalated to Regulatory Discipline Officers, 7 (14 percent) were closed with no concerns, 2 (4 percent) were issued a Notice to Impose Summary Administrative Monetary Penalty (“SAMP”), and 1 (2 percent) was issued a letter of warning.

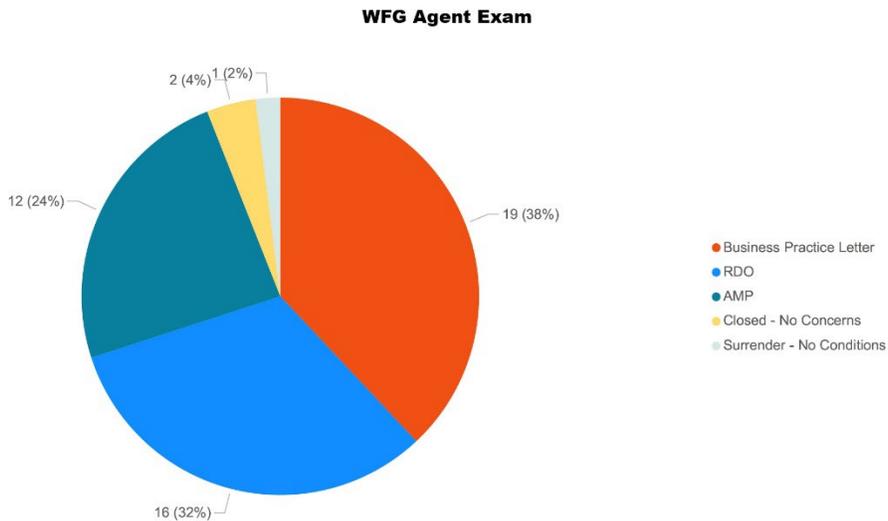


Of the 19 Greatway life agents escalated to Regulatory Discipline Officers, 12 (63 percent) were issued a Notice to Impose SAMP, 4 (21 percent) are under review as of May 31, 2023, 2 (10 percent) ceased activity/operation, and 1 (5 percent) was issued a Letter of Warning.



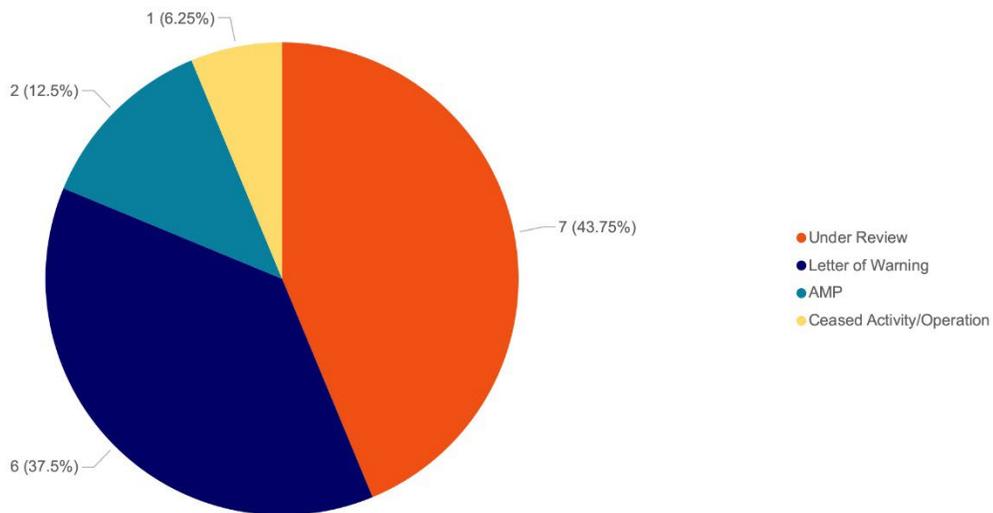
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Of the 50 WFG life agents selected for examination, 19 (38 percent) were issued a business practice letter, 16 (32 percent) were escalated to Regulatory Discipline Officers, 12 (24 percent) were issued a Notice to Impose SAMP, 2 (4 percent) were closed with no concerns, and 1 (2 percent) resulted in a voluntary licence surrender with no conditions.



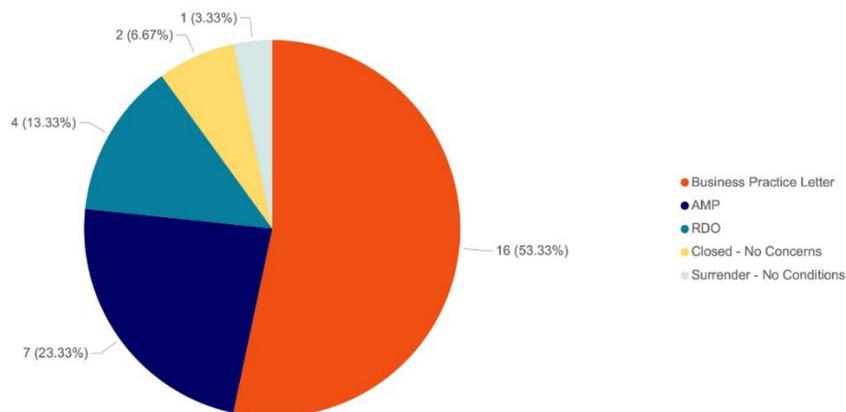
Of the 16 WFG life agents escalated to Regulatory Discipline Officers, 7 (44 percent) are under review as of May 31, 2023, 6 (38 percent) were issued a Letter of Warning, 2 (12 percent) were issued a Notice to Impose SAMP, and 1 (6 percent) ceased activity/operation.

Escalated Agent Exams



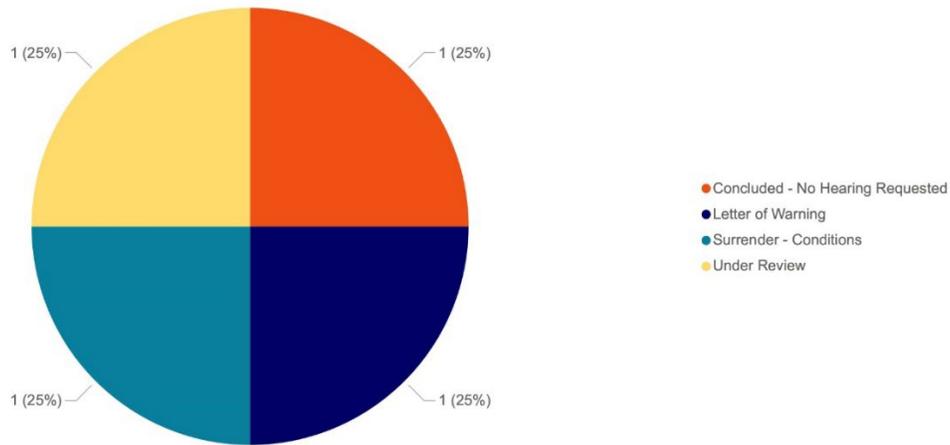
Of the 30 Exporior life agents selected for examination, 16 (53 percent) were issued a business practice letter, 7 (23 percent) were issued a Notice to Impose SAMP, 4 (13 percent) were escalated to Regulatory Discipline Officers, 2 (7 percent) were closed with no concerns, and 1 (3 percent) resulted in a voluntary licence surrender with no conditions.

Exporior Agent Exam



Of the 4 Experiior life agents escalated to Regulatory Discipline Officers, 1 (25 percent) was issued a Notice to Impose SAMP, 1 (25 percent) was issued a Letter of Warning, 1 (25 percent) resulted in a surrender with conditions, and 1 (25 percent) is under review as of May 31, 2023.

Escalated Agent Exam

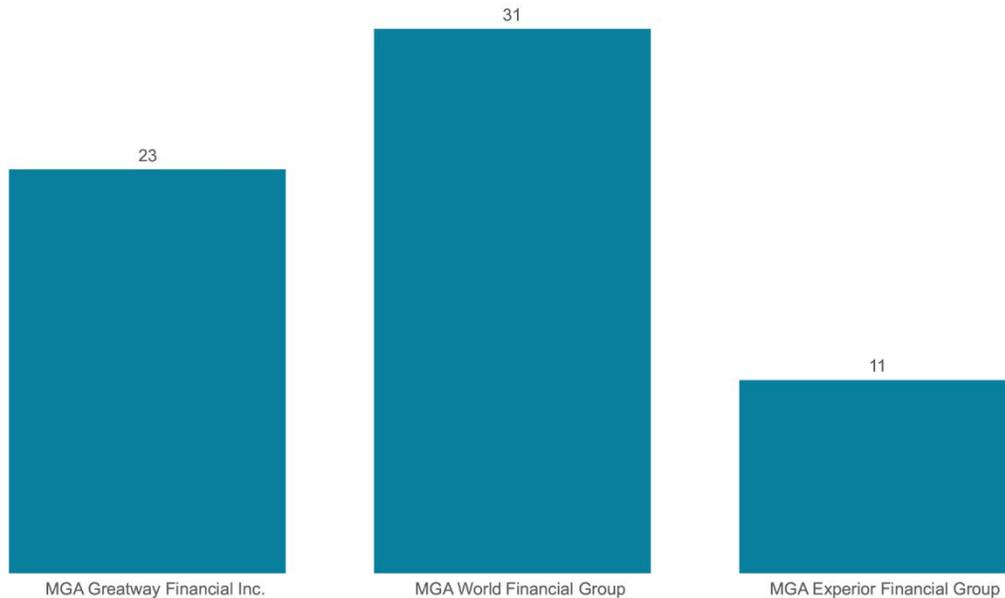


Contraventions of the Insurance Act

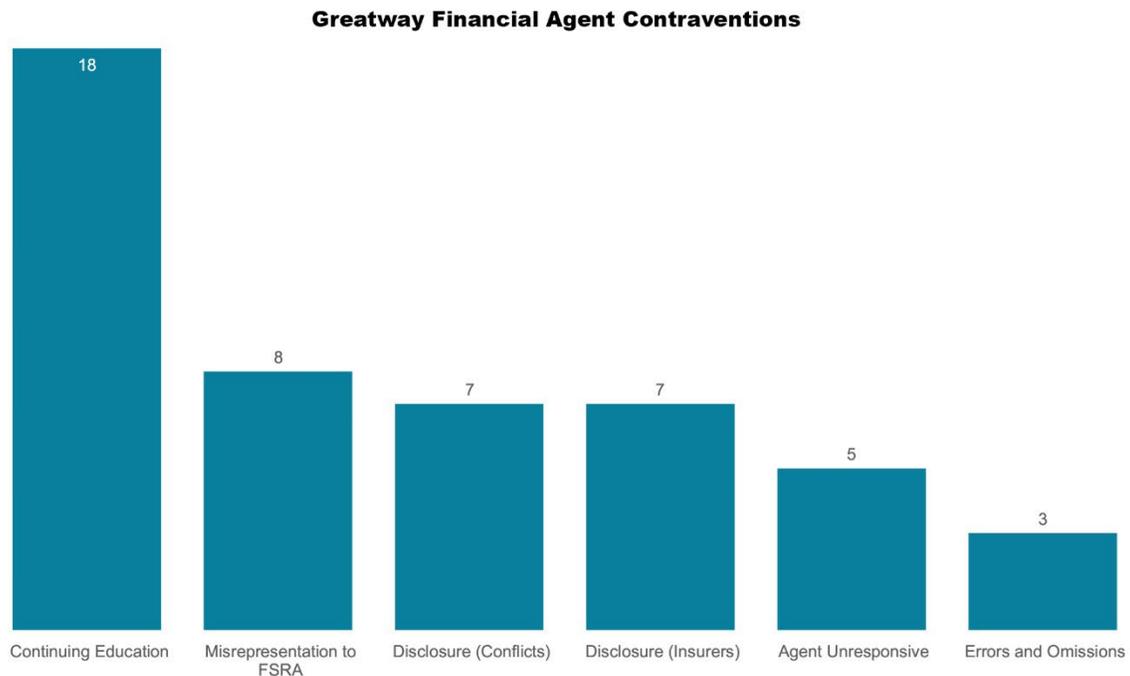
Life agents licensed with FSRA are required to comply with the Act and its regulations. Where contraventions are identified, FSRA will take appropriate action, which may include: letters of warning; SAMPs; conditions on license; mandatory supervision; Notice of Proposal; or proceedings before the Financial Services Tribunal.

- Of the 50 Greatway life agents selected for examination, 23 (46 percent) were cited with contraventions of the Insurance Act.
- Of the 50 WFG life agents selected for examination, 31 (62 percent) were cited with contraventions of the Insurance Act.
- Of the 30 Experior life agents selected for examination, 11 (37 percent) were cited with contraventions of the Insurance Act.

Agent Contraventions

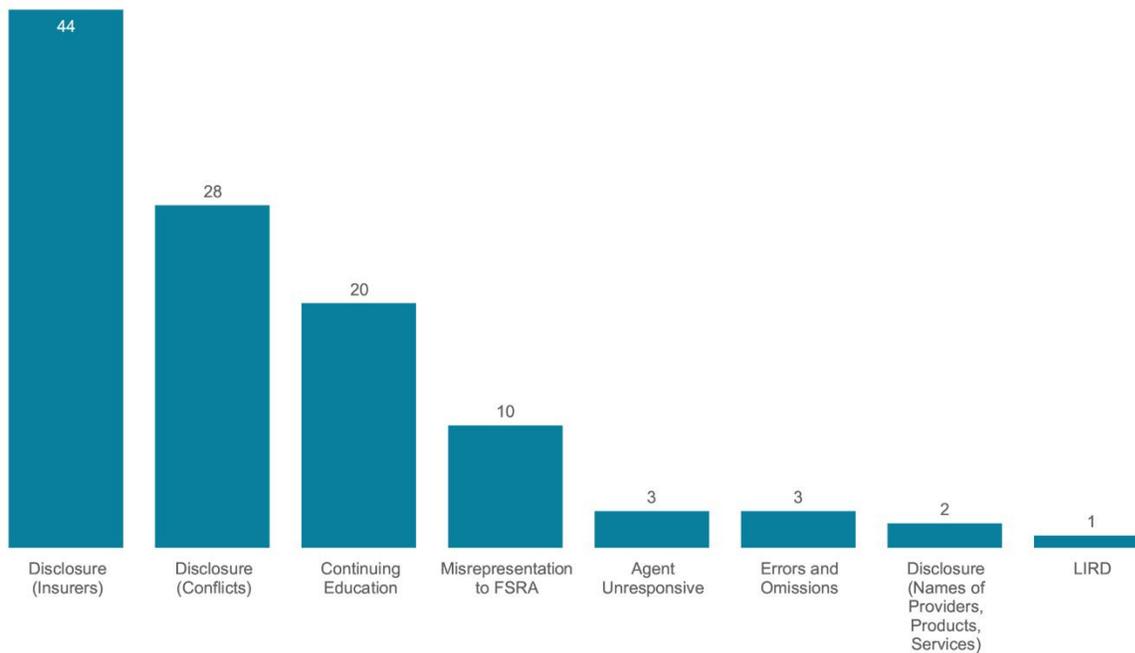


As set out in the visualization below, of the 23 Greatway life agents cited, a total of 48 contraventions of the Act were determined as follows: 18 instances of incomplete continuing education; 8 instances of misrepresentation to FSRA; 7 instances of insufficient life agent disclosure (conflicts of interest); 7 instances of insufficient life agent disclosure (insurers represented); 5 instances of unresponsiveness to FSRA; and 3 instances of errors and omissions lapse.



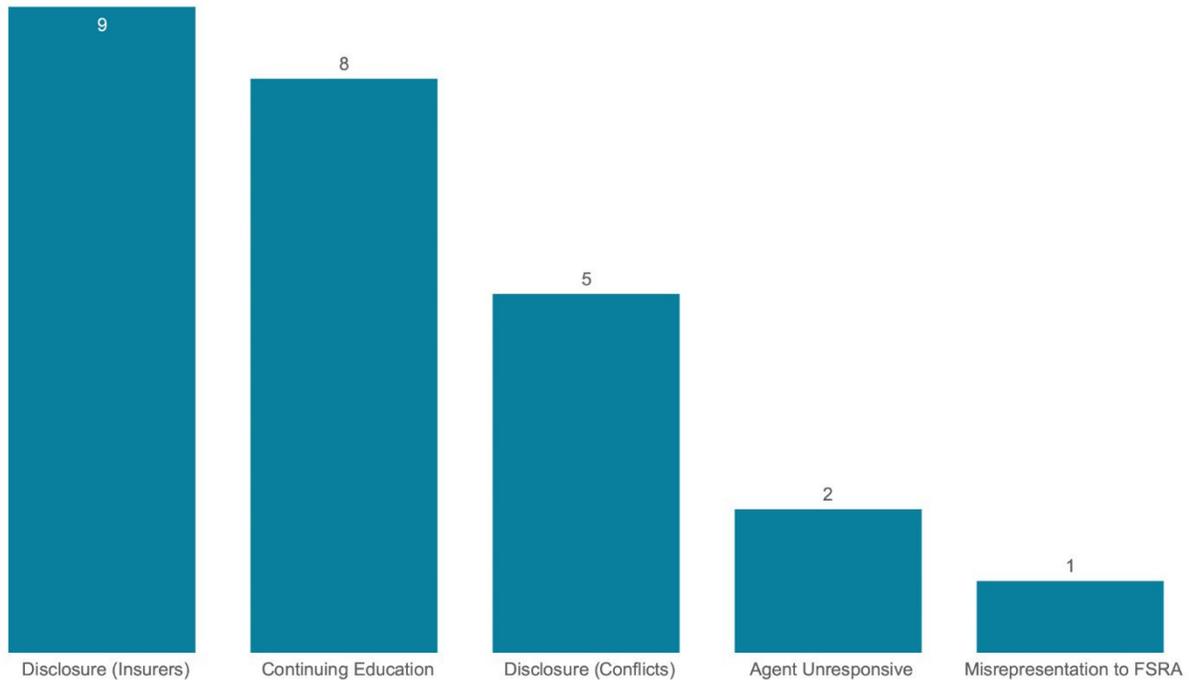
As set out in the visualization below, of the 31 WFG life agents cited, a total of 111 contraventions of the Act were determined as follows: 44 instances of insufficient life agent disclosure (insurers represented); 28 instances of insufficient life agent disclosure (conflicts of interest); 20 instances of incomplete continuing education; 10 instances of misrepresentation to FSRA; 3 instances of unresponsiveness to FSRA; 3 instances of errors and omissions lapse; 2 instances of incomplete life agent disclosure (names of providers, products, services); and 1 instance of failing to complete a Life Agent Replacement Declaration (LIRD).

WFG Agent Contraventions



As set out in the visualization below, of the 11 Exuperior life agents cited, a total of 25 contraventions of the Act were determined as follows: 9 instances of life agent disclosure (insurers represented); 8 instances of incomplete continuing education; 5 instances of life agent disclosure (conflicts of interest); 2 instances of unresponsiveness to FSRA; and 1 instance of misrepresentation to FSRA.

Exuperior Agent Contraventions



Best Practice Issues

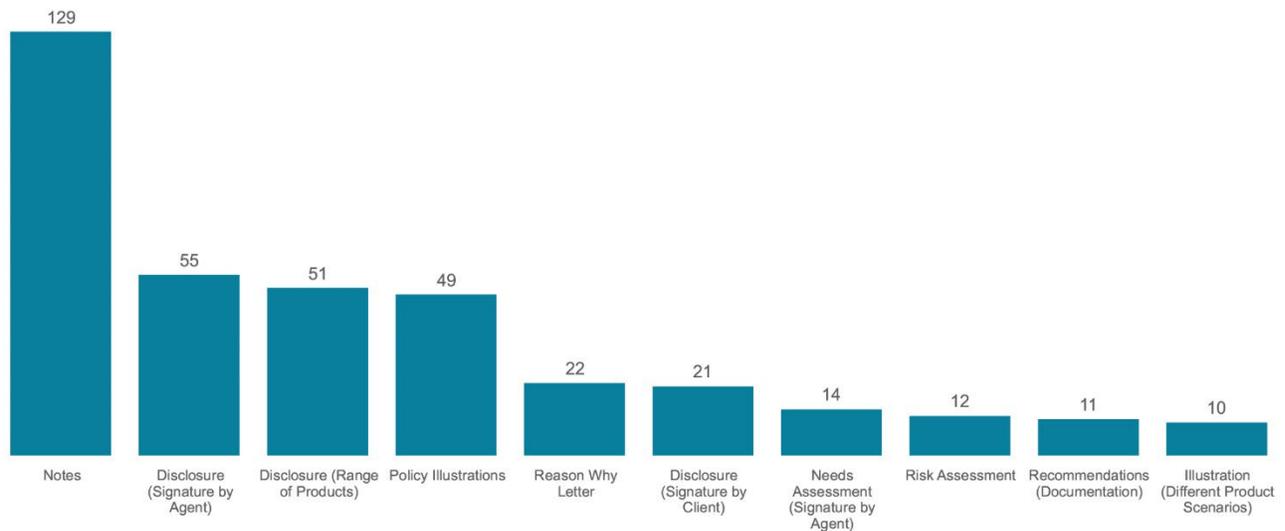
Best practices are key to promoting consistent standards for the life and health insurance industry to demonstrate suitability of insurance sales and alignment with FTC Guidance. If an unsuitable product is sold to a client, there is increased risk of consumer harm.

- Of the 46 Greatway life agents examined, 13 reported no sales in 2020 or 2021, and therefore did not have client files to review. A total of 161 client files were reviewed, and a total of 31 life agents (67 percent) were cited with best practice issues.
- Of the 46 WFG life agents examined, 11 reported no sales in 2020 or 2021, and therefore did not have client files to review. A total of 183 client files were reviewed, and a total of 39 life agents (85 percent) were cited with best practice issues.
- Of the 27 Experior life agents examined, 4 reported no sales in 2020 or 2021 and therefore did not have client files to review. A total of 114 client files were reviewed, and a total of 22 life agents (82 percent) were cited with best practice issues.



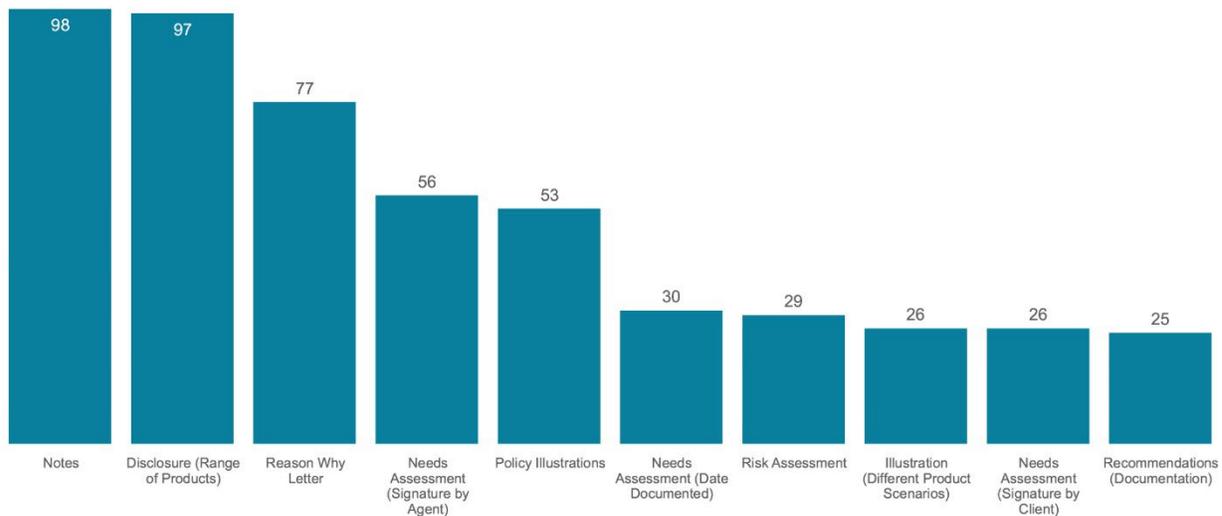
Of the 31 Greatway life agents cited with best practice issues, a total of 147 client files were reviewed, and a total of 404 best practice issues were identified. As set out in the visualization below, the top 10 best practice issues include: 129 instances of not taking contemporaneous notes; 55 instances of no life agent disclosure (signed by the life agent); 51 instances of no life agent disclosure (range of products); 49 instances of no policy illustrations, 22 instances of no “reason why” letters; 21 instances of no life agent disclosure (signature by client); 14 instances of no needs assessment (signature by life agent); 12 instances of no risk assessment; 11 instances of no recommendations (documentation); and 10 instances of no illustration (different product scenarios).

Greatway Financial Agent Best Practices



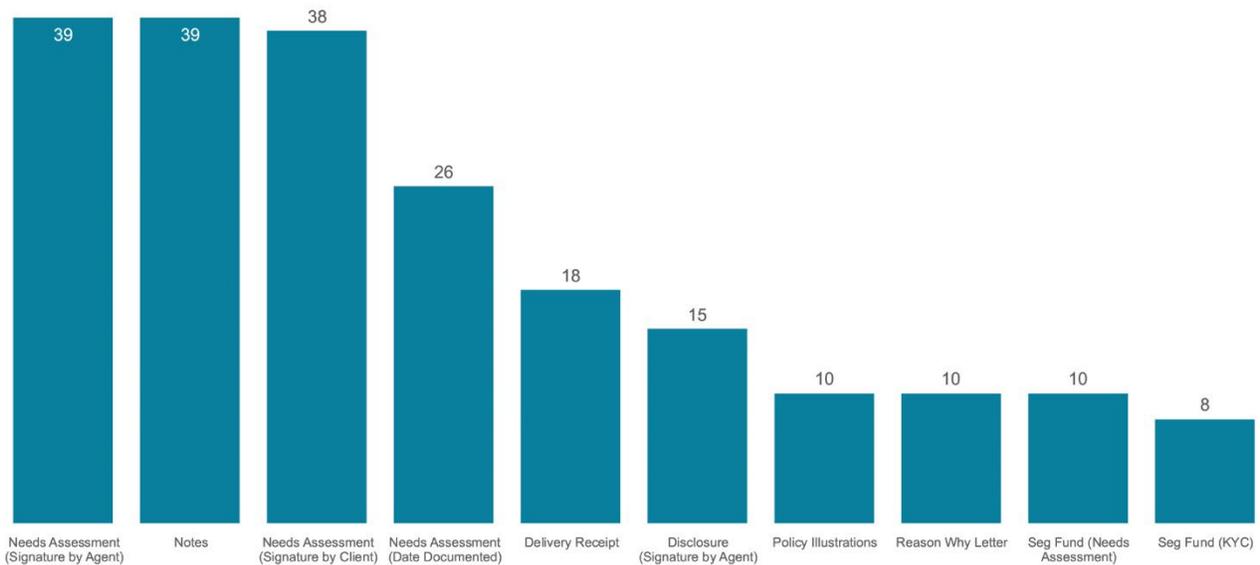
Of the 39 WFG life agents identified with best practices issues, a total of 177 client files were reviewed, and a total of 632 best practice issues were identified. As set out in the visualization below, the top 10 issues include: 98 instances of no contemporaneous notes; 97 instances of no life agent disclosure (range of products); 77 instances of no “reason why” letters; 56 instances of no needs assessment (signature by life agent); 53 instances of no policy illustrations; 30 instances of no needs assessment (date documented); 29 instances of no risk assessment; 26 instances of no illustration (different product scenarios); 26 instances of no needs assessment (signature by client); 25 instances of no recommendations (documentation).

WFG Agent Best Practices



Of the 22 Exporior life agents identified with best practices issues, a total of 100 client files were reviewed, and a total of 266 best practice issues were identified. As set out in the visualization below, the top 10 issues include: 39 instances of insufficient needs assessment (signature by life agent); 39 instances of no contemporaneous notes; 38 instances of insufficient needs assessment (signature by client); 26 instances of insufficient needs assessment (date documented); 18 instances of no delivery receipt; 15 instances of insufficient life agent disclosure (signature by life agent), 10 instances of no policy illustrations; 10 instances of no “reason why” letters; 10 instances of no needs assessment (segregated funds); and 8 instances of no Know Your Client (KYC) documentation (segregated funds).

Exporior Agent Best Practices



Life Agent Questionnaire Responses

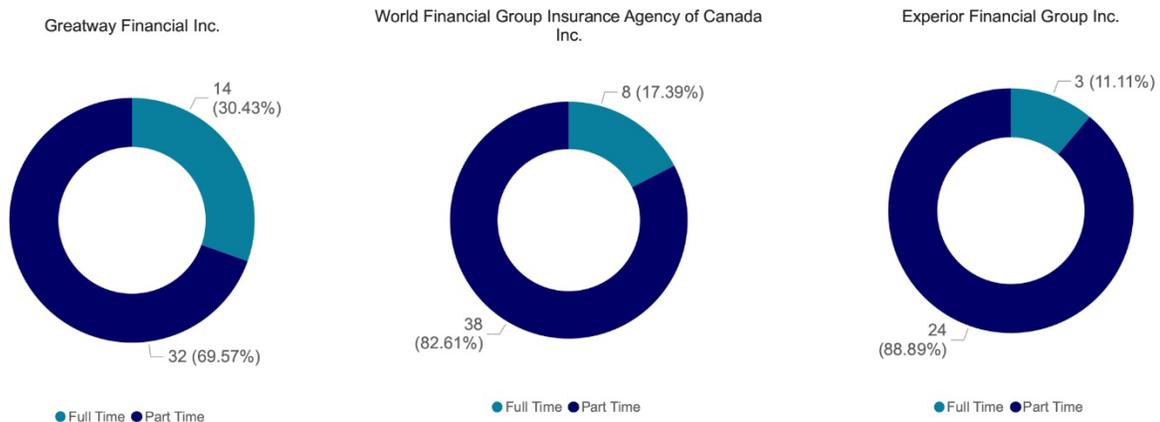
The electronic questionnaire utilized in the life agent examination program is completed through the subject life agent’s secured account on FSRA’s online service portal. The subject life agent must electronically sign an attestation confirming the content and accuracy of the questionnaire before final submission. Once attested and submitted by the subject life agent, the questionnaire is locked to ensure data integrity.

Full Time/Part Time Status and Outside Business Activities

The following data precisely reflects attested life agent responses to the electronic questionnaire, which was not cleaned or verified by FSRA.

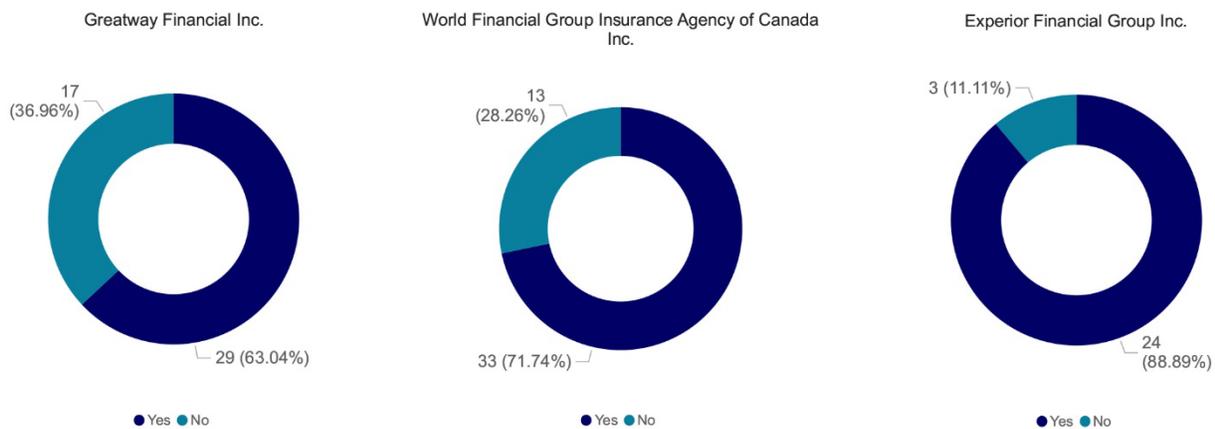
- Of the 46 Greatway life agents who completed the questionnaire, 32 (68 percent) reported as being part-time life agents, and 14 (30 percent) identified as full-time life agents.
- Of the 46 WFG life agents who completed the questionnaire, 38 (83 percent) reported as being part-time life agents, and 8 (17 percent) identified as full-time life agents.
- Of the 27 Exporior life agents who completed the questionnaire, 24 (89 percent) reported as being part-time life agents and 3 (11 percent) identified as full-time life agents.

Are you a part-time or full-time insurance agent?



- Of the 46 Greatway life agents who completed the questionnaire, 29 (62 percent) reported another occupation or employment other than a life agent.
- Of the 46 WFG life agents who completed the questionnaire, 33 (71 percent) reported another occupation or employment other than a life agent.
- Of the 27 Experior life agents who completed the questionnaire, 24 (89 percent) reported another occupation or employment other than a life agent.

Do you have any other occupation or employment other than as an insurance agent?



Concluding Comments: Full-Time/Part-Time Status and Outside Business Activities

Of the 119 life agents examined, 94 reported being a part-time life agent (79 percent), 86 reported holding an occupation or employment other than a life agent (72 percent) and 28 reported no insurance sales for 2020 or 2021 (24 percent). Examination outcomes determined that 50 percent of the life agents selected for examination were identified with contraventions of the Act, and 77 percent of the life agents examined failed to follow industry best practices that demonstrate the suitability of a sale.

It should be noted that disclosing outside business activities to FSRA is a life agent licencing requirement, and that licencing conditions may be imposed by FSRA relative to the risk of potential consumer harm arising from the other occupation or employment disclosed.

It should also be noted that the relative inexperience of the life agents contracted with the subject MGA's may also be a factor in examination outcomes. As described earlier, when

selecting life agents for examination FSRA used the MGA contract start date and number of years licensed with FSRA to capture the proportional characteristics of the life agents contracted with the subject MGAs. Based on the datasets provided to FSRA, the life agents contracted with the subject MGAs had between 1 and 8 years of experience as a licensed life agent.

Insurers Represented

The following data precisely reflects attested life agent responses to the electronic questionnaire, which was not cleaned or verified by FSRA.

- In 2021, of the 46 Greatway life agents who completed the questionnaire, 31 (67 percent) reported placing business with Ivori, 4 (9 percent) reported placing business with Industrial Alliance Insurance and Financial Services Inc., 4 (9 percent) responded as “Not Applicable”, 3 (7 percent) reported placing business with Equitable Life Insurance Company of Canada, and 3 (7 percent) responded “None”.
- In 2021, of the 46 WFG life agents who completed the questionnaire, 26 (56 percent) reported placing business with Industrial Alliance Insurance and Financial Services Inc., 21 (46 percent) reported placing business with Equitable Life Insurance Company of Canada, 19 (41 percent) reported placing business with Ivori, 9 (20 percent) reported placing business with Manulife Assurance Company of Canada, 5 (11 percent) responded as “Not Applicable”.
- In 2021, of the 27 Experior life agents who completed the questionnaire, 12 (40 percent) reported placing business with SSQ Life Insurance Company Inc., 11 (37 percent) reported placing business with Industrial Alliance Insurance and Financial Services Inc., 9 (30 percent) reported placing business with La Capitale Financial Security Insurance Company, 5 (17 percent) reported placing business with Humania Assurance Inc., 4 (13 percent) reported placing business with Foresters Life Insurance Company.

Top 5 insurance companies the agent placed business with in 2021

Greatway Financial Inc.



World Financial Group Insurance Agency of Canada Inc.



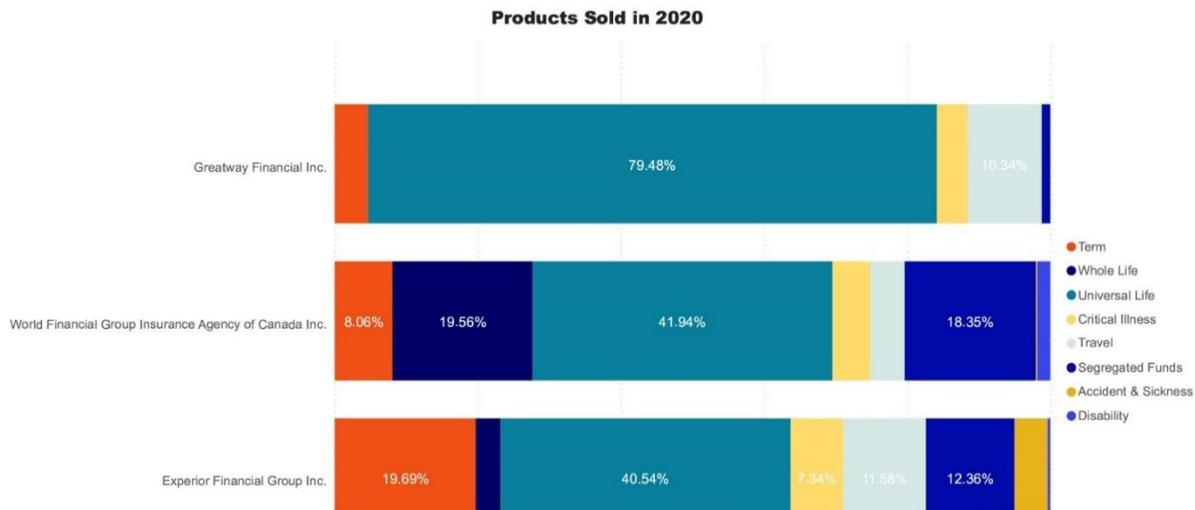
Experior Financial Group Inc



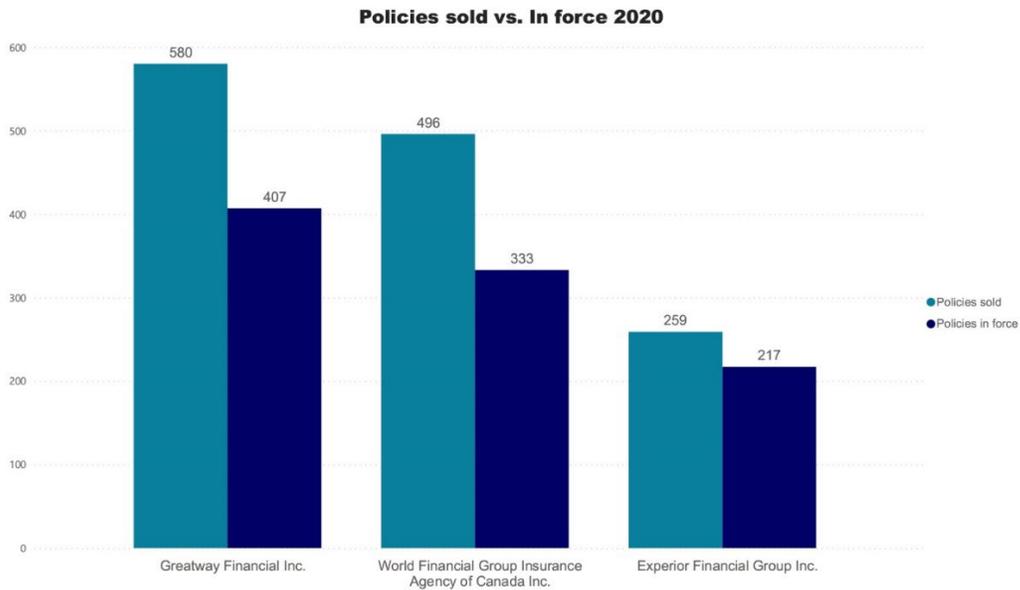
Insurance Products Sold – 2020

The following data precisely reflects attested life agent responses to the electronic questionnaire, which was not cleaned or verified by FSRA.

- In 2020, of the 46 Greatway life agents who completed the questionnaire, a total of 580 insurance policies were reported sold across all product types. Of total insurance policies reported sold, 461 were Universal Life policies (79 percent).
- In 2020, of the 46 WFG life agents who completed the questionnaire, a total of 496 policies were reported sold across all product types. Of total insurance policies reported sold, 208 were Universal Life policies (42 percent).
- In 2020, of the 27 Experior life agents who completed the questionnaire, a total of 259 policies were reported sold across all product types. Of total insurance policies reported sold, 105 were Universal Life policies (41 percent)



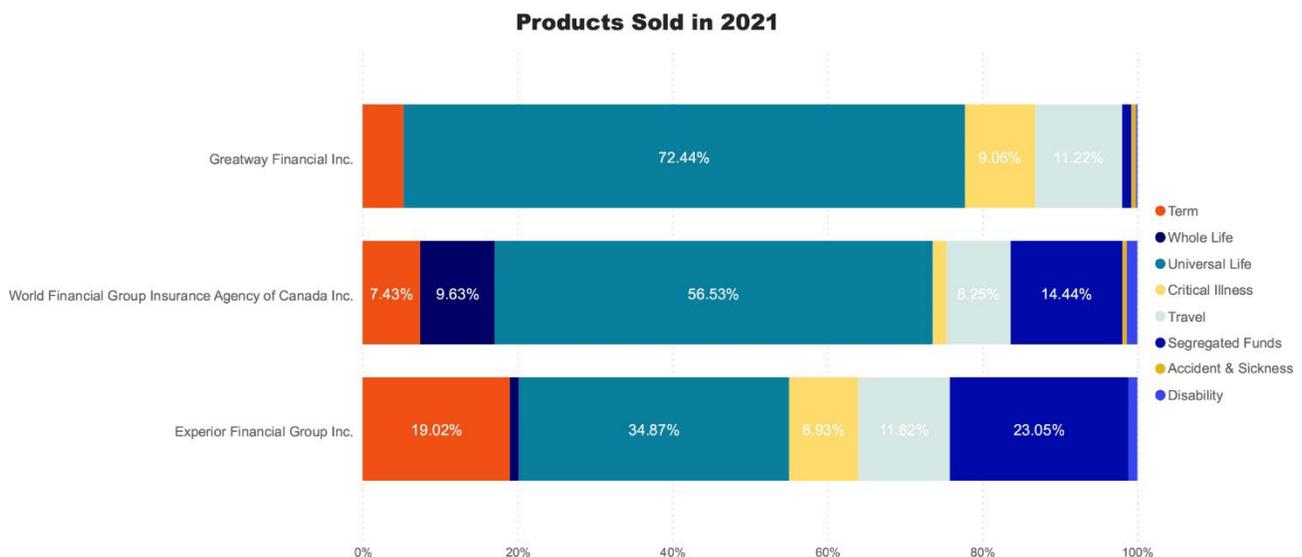
- Of the 580 policies reported sold across all product types in 2020 by the 46 Greatway life agents, 407 policies were reported to be in-force at time of examination (70 percent).
- Of the 496 policies reported sold across all product types in 2020 by the 46 WFG life agents, 333 policies were reported to be in-force at time of examination (67 percent).
- Of the 259 policies reported sold across all product types in 2020 by the 27 Experior life agents, 217 policies were reported to be in-force at time of examination (84 percent).



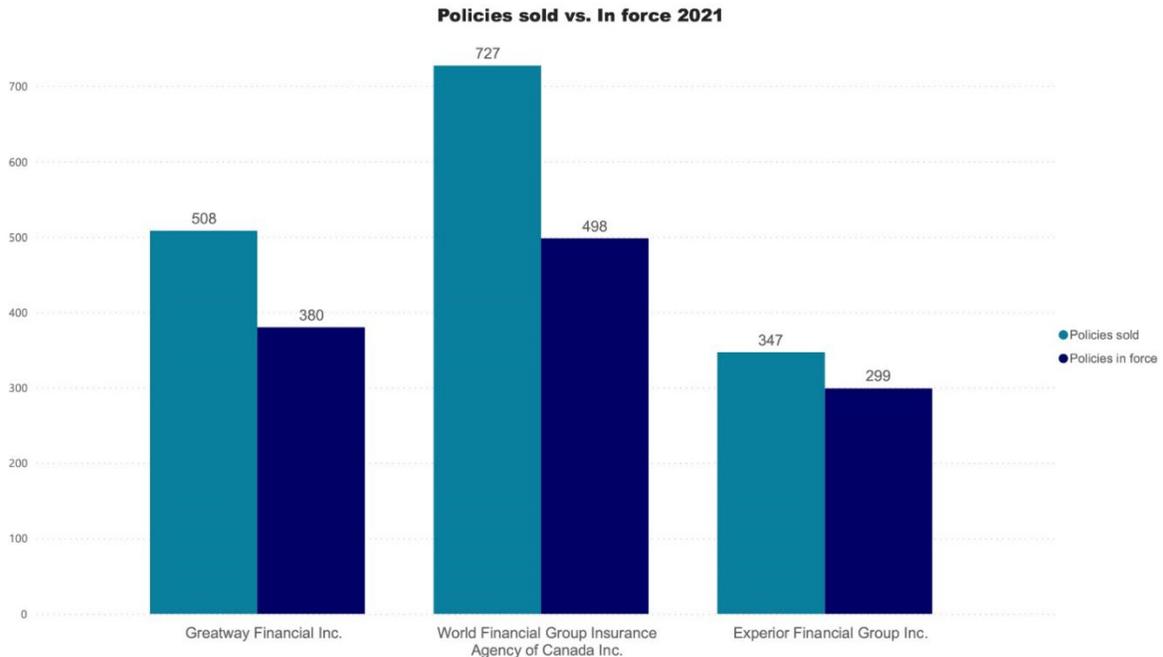
Insurance Products Sold – 2021

The following data precisely reflects attested life agent responses to the electronic questionnaire, which was not cleaned or verified by FSRA.

- In 2021, of the 46 Greatway life agents who completed the questionnaire, a total of 508 insurance policies were reported sold across all product types. This is a 12 percent decrease in total policies sold by the same Greatway life agents in 2020. Of total insurance policies reported sold, 368 were Universal Life policies (72 percent). This is a 7 percent decrease of Universal Life policies sold by the same Greatway life agents in 2020.
- In 2021, of the 46 WFG life agents who completed the questionnaire, a total of 727 policies were reported sold across all product types. This is a 47 percent increase in total policies sold by the same WFG life agents in 2020. Of total insurance policies reported sold, 411 were Universal Life policies (57 percent). This is a 15 percent increase of Universal Life policies sold by the same WFG life agents in 2020.
- In 2021, of the 27 Experior life agents who completed the questionnaire, a total of 347 policies were reported sold across all product types. This is a 34 percent increase in total policies sold by the same Experior life agents in 2020. Of total insurance policies reported sold, 121 were Universal Life policies (35 percent). This is a 5 percent decrease of Universal Life policies sold by the same WFG life agents in 2020.



- Of the 508 policies reported sold across all product types in 2021 by the 46 Greatway life agents, 380 policies were reported to be in-force at time of examination (75 percent).
- Of the 727 policies reported sold across all product types in 2021 by the 46 WFG life agents, 498 policies were reported to be in-force at time of examination (69 percent).
- Of the 347 policies reported sold across all product types in 2021 by the 27 Experior life agents, 299 policies were reported to be in-force at time of examination (86 percent).



Concluding Comments: Sale of Universal Life Insurance

Universal Life insurance is a complex and specialized product that may not be suitable for many consumers. Examination outcomes indicate that inexperienced life agents are predominantly selling Universal Life policies, notably:

- in 2020, a total of 1335 insurance policies were reported sold across all product types. Of these sales, 774 were reported to be Universal Life policies (56 percent).
- in 2021, a total of 1582 insurance policies were reported sold across all product types. Of these sales, 900 were reported to be Universal Life policies (57 percent).

Examination outcomes demonstrate a high ratio of contraventions of the *Act* and failure to follow industry best practices. FSRA is concerned that the insurers and MGAs captured in this report may not have effective oversight processes in place to manage potential risks to the consumer, and to demonstrate suitable sales, particularly in the case of inexperienced life agents selling Universal Life policies.

It should be noted that, concurrent with these thematic examinations, FSRA conducted a more in-depth analysis of life insurance sales practices by life agents contracted with the subject MGAs. That analysis consisted of a close review of 24 randomly selected client files from these thematic examinations to assess whether FTC principles were applied in each case, and if not, the risk of poor consumer outcomes as a result. The resulting report, *Observed Practices in the Distribution and Sale of Universal Life Insurance*¹², identifies several FTC concerns, particularly with respect to the sale of Universal Life insurance.

Concluding Comments: Policies Sold versus In-Force

It should be noted that the in-force policy data reported by the life agents examined reflects all insurance product types reported sold (i.e., it was not delineated by product type), it was not confirmed by FSRA, and that several factors may impact whether a policy stays in-force. That said, early policy lapses can be an indicator of unsuitable insurance products being sold to consumers, and corresponding financial loss.

Examination outcomes demonstrate a high ratio of contraventions of the *Act* and failure to follow industry best practices in the population of life agents reviewed. Considering the ratio of

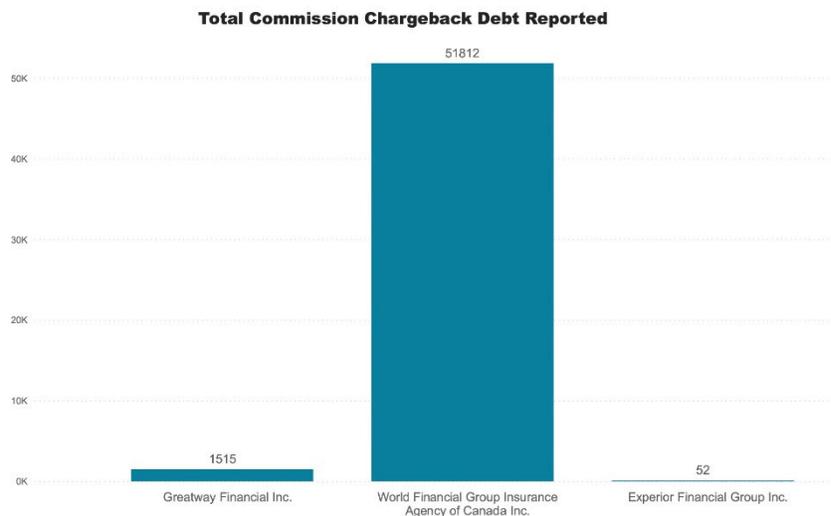
¹² [Observed Practices in the Distribution and Sale of Universal Life Insurance](#)

policies sold versus in-force reported, FSRA is concerned that the insurers and MGAs captured in this report may not have effective oversight processes in place to manage potential risks to the consumer, and to demonstrate suitable sales, particularly in the case of inexperienced life agents selling Universal Life policies.

Commission Chargeback

The following data precisely reflects attested life agent responses to the electronic questionnaire, which was not cleaned or verified by FSRA.

- Of the 46 Greatway life agents who completed the questionnaire, 4 (9 percent) reported a total of \$1,515.00 in commission chargeback debt.
- Of the 46 WFG life agents who completed the questionnaire, 5 (11 percent) reported a total of \$51,812.00 in commission chargeback debt.
- Of the 27 Exporior life agents who completed the questionnaire, 1 (4 percent) reported a total of \$52.00 in commission chargeback debt.



Concluding Comments: Commission Chargeback

It should be noted that the commission chargeback data reported by the life agents examined (i.e., reversal of life agent sales commission due to policy revocation or early lapse) reflects all insurance product types reported sold (i.e., it was not delineated by product type), and was not confirmed by FSRA. Of the 119 life agents examined, 10 (8 percent) reported chargeback debt. As it is not clear to FSRA how reported chargeback data aligns with the policies sold versus in-force data reported, FSRA will consider further review of life agent chargeback reported. FSRA acknowledges that several factors may impact the reason for commission chargeback. That said, commission chargeback can be an indicator of unsuitable insurance products being sold to consumers. Moreover, when a life agent is carrying chargeback debt, there exists the potential for a conflict of interest where the life agent may be incented to put their own interests ahead of their clients in order to make sales to pay back the debt, which can lead to unfair outcomes for consumers.

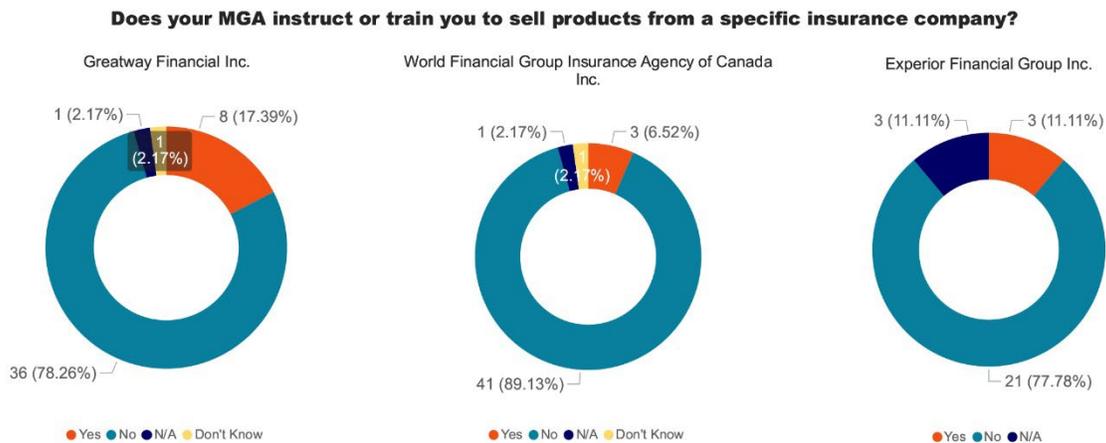
Life Agent Interview Responses

To ensure transparency, fairness, and due process, all life agents who are subject to examination must submit to an interview. The following data precisely reflects life agent responses to interview questions, which were not verified by FSRA.

Life Agent Recruitment, Training and Monitoring

During the interview phase of the examination program, the subject life agents were asked, “Does your MGA instruct or train you to sell products from a specific insurance company?”

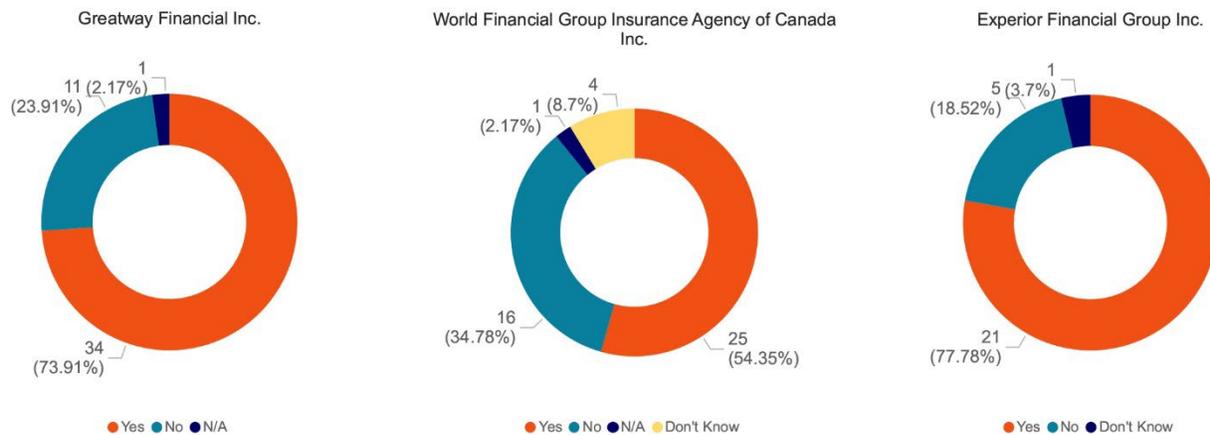
- Of the 46 Greatway life agents interviewed: 8 (17 percent) responded “yes”; 36 (78 percent) responded “no”; 1 (2 percent) responded “do not know”; and 1 (2 percent) responded “not applicable”.
- Of the 46 WFG life agents interviewed: 3 (7 percent) responded “yes”; 41 (89 percent) responded “no”; 1 (2 percent) responded “do not know”; and 1 (2 percent) responded “not applicable”.
- Of the 27 Exeior life agents interviewed: 3 (11 percent) responded “yes”; 21 (77 percent) responded “no”; and 3 (11 percent) responded “not applicable”.



During the interview phase of the examination program, the subject life agents were asked, “Does anyone monitor/supervise your business activities/sales as a life agent?”

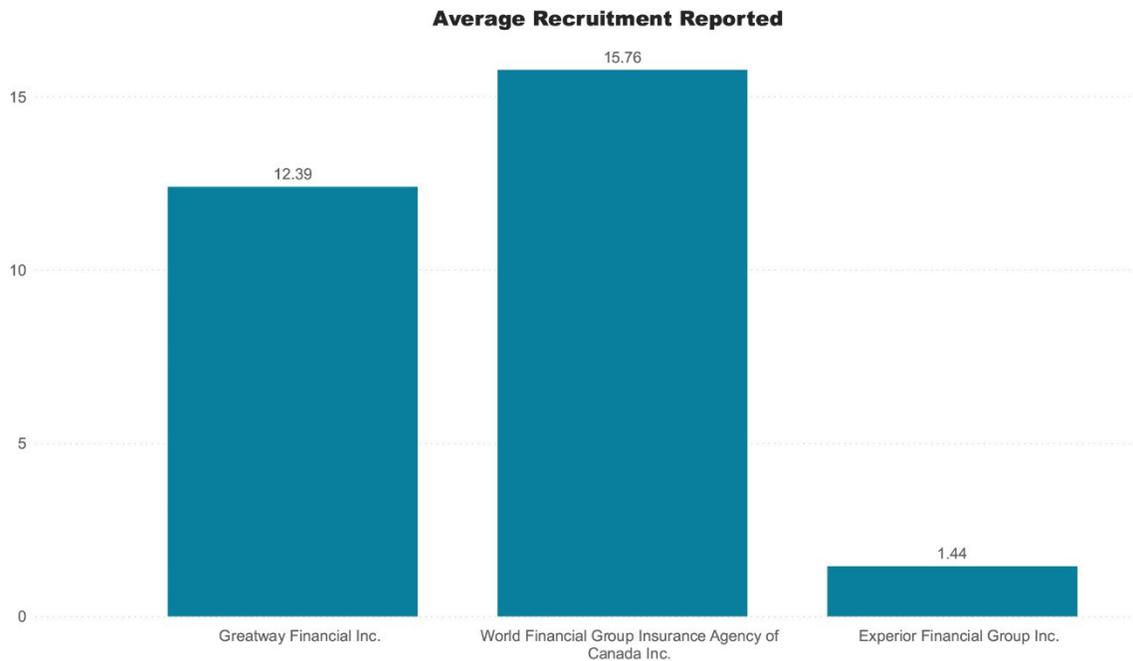
- Of the 46 Greatway life agents interviewed: 34 (74 percent) responded “yes”; 11 (24 percent) responded “no”; and 1 (2 percent) responded “not applicable”.
- Of the 46 WFG life agents interviewed: 25 (54 percent) responded “yes”; 16 (35 percent) responded “no”; 4 (9 percent) responded “do not know”; and 1 (2 percent) responded “not applicable”.
- Of the 27 Exporior life agents interviewed: 21 (81 percent) responded “yes”; 5 (19 percent) responded “no”; and 1 responded “do not know”.

Does anyone monitor/supervise your business activities/sales as a life agent?



During the interview phase of the examination program, the subject life agents were asked, “How many individuals have you recruited?” as part of the MGA’s tiered recruitment business model.

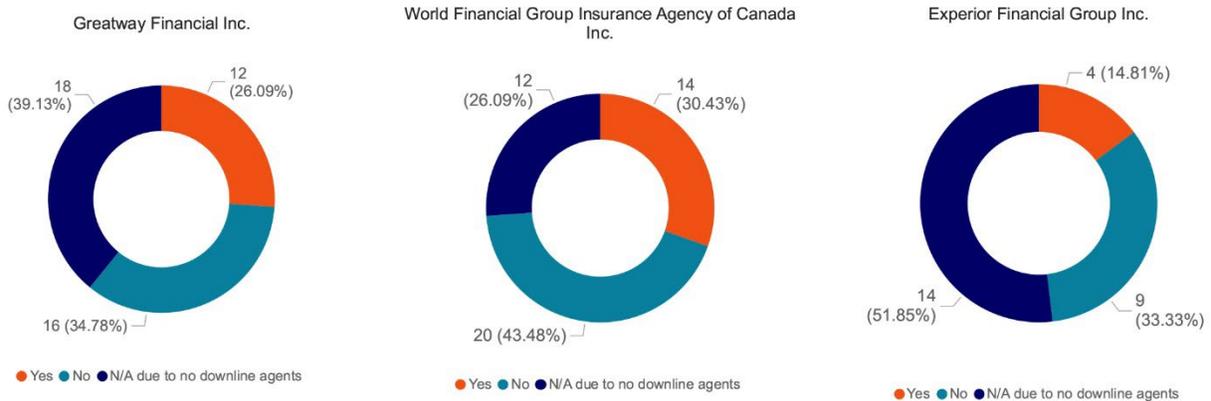
- The 46 Greatway life agents interviewed reported recruiting an average of 12 individuals.
- The 46 WFG life agents interviewed reported recruiting an average of 16 individuals.
- The 27 Exporior life agents interviewed reported recruiting an average of 1 individual.



During the interview phase of the examination program, the subject life agents were asked, “Do you conduct any life agent monitoring/supervision for your down line life agents?”

- Of the 46 Greatway life agents interviewed: 12 (26 percent) responded “yes”; 16 (35 percent) responded “no”; and 18 (39 percent) responded “not applicable” due to having no downline life agents.
- Of the 46 WFG life agents interviewed: 14 (30 percent) responded “yes”; 20 (43 percent) responded “no”; and 12 (26 percent) responded “not applicable” due to having no downline life agents.
- Of the 27 Exporior life agents interviewed: 4 (15 percent) responded “yes”; 9 (33 percent) responded “no”; and 14 (52 percent) responded “not applicable” due to having no downline life agents.

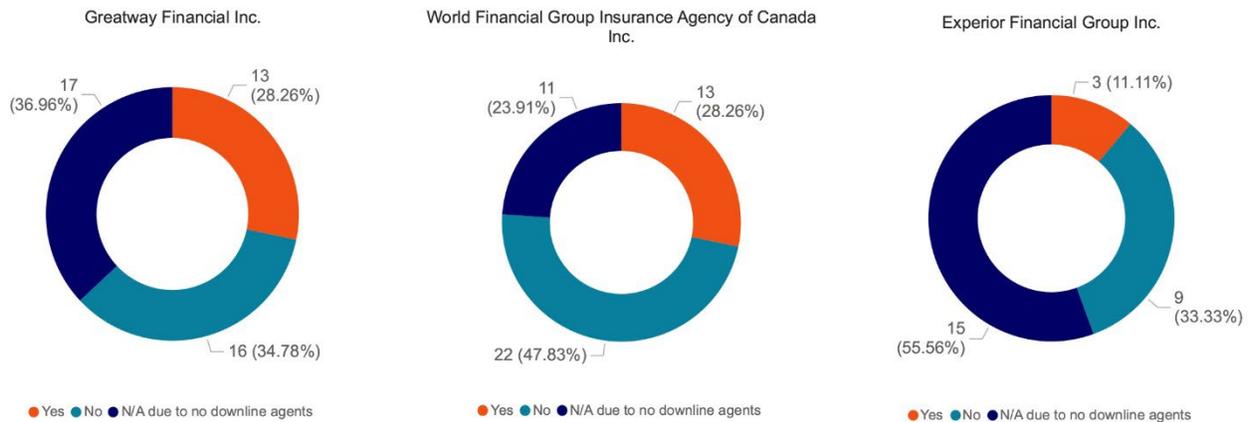
Do you conduct any agent monitoring/supervision for your down line agents?



During the interview phase of the examination program, the subject life agents were asked, “Do you conduct any life agent training for down line life agents?”

- Of the 46 Greatway life agents interviewed: 13 (28 percent) responded “yes”; 16 (35 percent) responded “no”; and 17 (37 percent) “not applicable” due to having no downline life agents.
- Of the 46 WFG life agents interviewed: 13 (28 percent) responded “yes”; 22 (48 percent) responded “no”; and 11 (24 percent) “not applicable” due to having no downline life agents.
- Of the 27 Exporior life agents interviewed: 3 (11 percent) responded “yes”; 9 (33 percent) responded “no”; and 15 (56 percent) “not applicable” due to having no downline life agents.

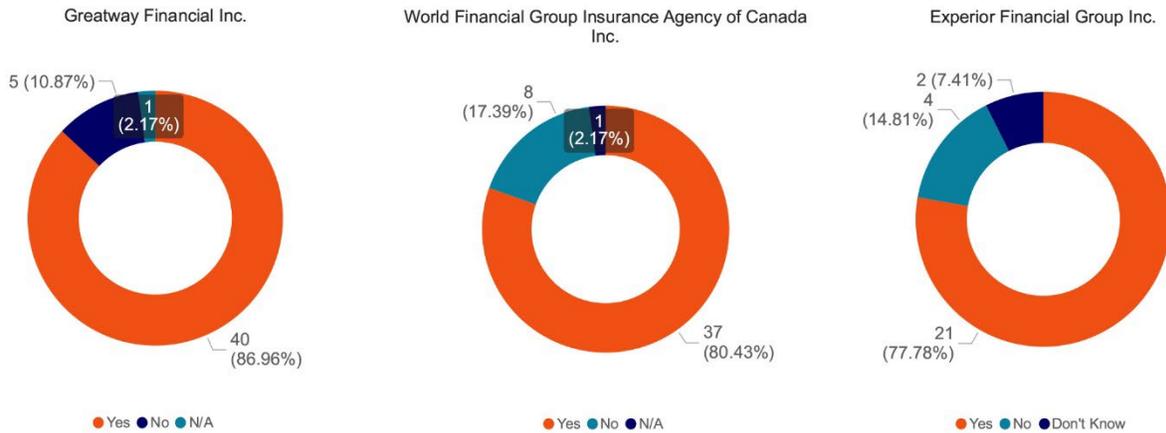
Do you conduct any agent training for your down line agents?



During the interview phase of the examination program, the subject life agents were asked, “Are you required to take any mandatory training?”

- Of the 46 Greatway life agents interviewed: 40 (87 percent) responded “yes”; 5 (11 percent) responded “no”; and 1 (2 percent) response was “not applicable”.
- Of the 46 WFG life agents interviewed: 37 (80 percent) responded “yes”; 8 (18 percent) responded “no”; and 1 responded “not applicable”.
- Of the 27 Exporior life agents interviewed: 21 (78 percent) responded “yes”; 4 (15 percent) responded “no”; and 2 (7 percent) responded “do not know”.

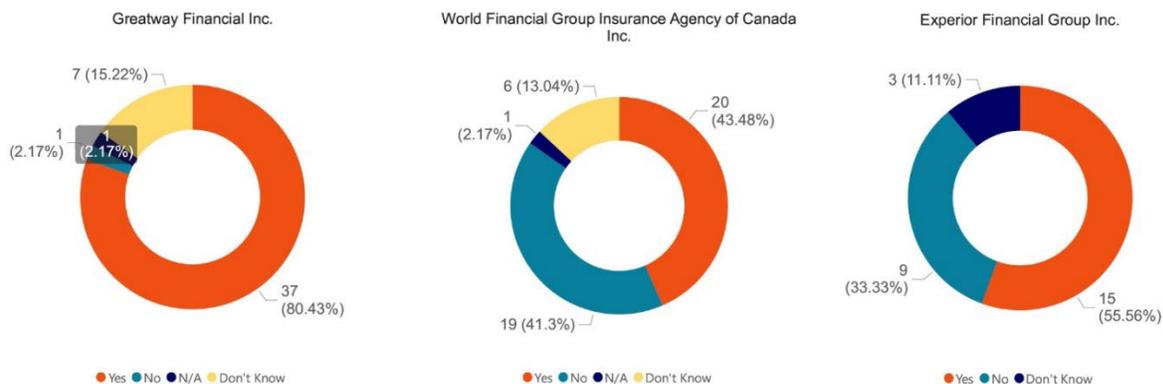
Are you required to take any mandatory training?



During the interview phase of the examination program, the subject life agents were asked, “Does anyone check if you have completed the training offered?”

- Of the 46 Greatway life agents interviewed: 37 (80 percent) responded “yes”; 1 (2 percent) responded “no”; 7 (15 percent) responded “do not know”; and 1 (2 percent) responded “not applicable”.
- Of the 46 WFG life agents interviewed: 20 (43 percent) responded “yes”; 19 (41 percent) responded “no”; 6 (13 percent) responded “do not know”; and 1 (2 percent) responded “not applicable”.
- Of the 27 Exuperior life agents interviewed: 15 (56 percent) responded “yes”; 9 (33 percent) responded “no”; and 3 (11 percent) responded “do not know”.

Does anyone check if you have completed the training offered?



Concluding Comments: Life Agent Training and Monitoring

When life agents are being compensated for the sales of individuals they recruit, this creates the potential for less focus on suitable recruits and suitable sales, which creates the potential for consumer harm. In keeping with findings from the *CCIR Cooperative MGA Thematic Review*, interview responses provided by the life agents examined suggest there are gaps or inconsistencies with respect to the training and supervision delegated to the subject MGAs, their life agents, and their downlines. Given examination outcomes with respect to contraventions of the Act and failure to follow industry best practices, FSRA is concerned the insurers and MGAs captured in this report may not have effective oversight processes in place to manage potential risks to the consumer, and to demonstrate suitable sales, particularly in the case of inexperienced life agents selling Universal Life policies.

Conclusion

Although the tiered recruitment model of the subject MGAs is not representative of all MGAs, the 12,775 life agents contracted with the subject MGAs at time of examination represented approximately 20 percent of the life agents licensed in Ontario. When life agents are being compensated for the sales of individuals they recruit, this creates the potential for less focus on suitable recruits and suitable sales, which creates the potential for consumer harm. The tiered recruitment model also appears to predominantly utilize part-time life agents.

Subsection 12(1) of O. Reg 347/04 requires every insurer that authorizes one or more life agents to act on behalf of the insurer to establish and maintain a system that is reasonably designed to ensure that each life agent complies with the Act, its regulations, and licencing obligations. Insurers and their life agents – whether directly or through intermediaries, including MGAs – are required to assess and adequately fulfill the delegated functions for life agent screening, training, and monitoring, since these are critical to ensure fair outcomes to consumers. In the case of MGAs that follow the tiered recruitment model, this means appropriately managing the risks associated with life agents who are compensated for the sales of individuals they recruit, and part time life agents, along with any other risks for consumer harm, to ensure fair outcomes for consumers.

In keeping with findings from the *CCIR Cooperative MGA Thematic Review*, the life agent examination outcomes in this report suggest there are gaps or inconsistencies with respect to the training and supervision delegated to the subject MGAs, their life agents, and their downlines. The reported commission chargeback and sales versus in-force data, together with examination outcomes indicating that inexperienced life agents are not following best practices, or in some cases breaching the *Act*, while predominantly selling complex Universal Life products, raises concerns for FSRA. Specifically, FSRA is concerned the insurers and MGAs captured in this report may not have effective oversight processes in place to manage potential risks to the consumer, and to demonstrate suitable sales.

Moreover, outcomes of FSRA's life agent supervision initiatives to date, which include this report and the *2021-22 Life Agent Supervision Report*, suggest a link between contraventions of the *Act* and not following industry best practices. Best practices are key to demonstrate that a policy sale is both suitable and in the best interest of the consumer, which, in turn, helps to ensure fair outcomes for consumers. Outcomes to date suggest the need for more action in this area, and FSRA intends to continue exploring how industry best practices may become requirements in Ontario in support of fair treatment of customers.

Of the 130 life agents captured in this report, FSRA took regulatory action on 50 percent, and 77 percent were cited with best practice issues. When considering these outcomes, it is important to note that the life agents selected for examination were not the subject of previous regulatory supervision actions, or otherwise risk-identified, and were representative of the entire group of life agents contracted with each of the subject MGAs.

Of the 115 life agents captured in FSRA's *2021-22 Life Agent Supervision Report*, FSRA took regulatory action on 56 percent, and 48 percent were cited with best practice issues. When considering those outcomes, it is important to note that the life agents selected for examination were the subject of regulatory supervision actions and risk-identified prior to examination.

When contrasting the outcomes of supervision initiatives to date, FSRA is concerned about the consumer protection risks that may be present in the tiered MGA distribution model, and the oversight practices that may be necessary to ensure the life agents contracted with these MGAs are compliant with regulatory requirements. FSRA expects MGAs that utilize a tiered recruitment model, and the insurers that conduct business with such MGAs, to have effective oversight systems in place to manage this risk, as well as any other potential risks to the consumer.

FSRA will continue to assess how insurers, life agents, and other regulated entities are affected by distribution channels and MGA business models. For life agents, this ongoing assessment will be carried out under the Framework and will include the fourth edition of FSRA's *Life and Health Insurance Agent Supervision Report*, to be published later this year.

FSRA will also continue to refine its risk-based approach under the Framework to prioritize intelligence-informed life agent examinations. Life agent examinations based on the data and intelligence FSRA gathers through the Annual Statement on Market Conduct, consumer complaints, Life Agent Misconduct Reports (LAMRs), and open-sourced market intelligence will strengthen accountability and oversight of the end-to-end distribution chain, and support FSRA's vision for consumer safety, fairness, and choice.