



Independent Financial Brokers of Canada

740-30 Eglinton Avenue West, Mississauga, ON L5R 3E7

www.ifbc.ca

February 9, 2024

Financial Services Regulatory Authority of Ontario (FSRA)
25 Sheppard Ave W, Suite 100
Toronto, ON M2N 6S6

Submitted via the FSRA website.

Dear Sirs/Mesdames:

Re: Consultation for Proposed Guidance on Life Insurance Agent and MGA Licensing Suitability

Independent Financial Brokers of Canada (IFB) appreciates the opportunity to comment on the above-referenced proposed guidance.

IFB is a voluntary, not for profit, association whose members are licensed financial professionals. Many IFB members are regulated by FSRA in the life/health insurance sector. Often, they have additional licenses, registrations and credentials that enable them to offer clients advice on a broader range of services to better address their financial needs.

IFB provides provincial and national advocacy on issues which affect the financial services industry, business practices of our members and proposed rules and regulations.

Comments

IFB has reviewed the guidance and we find it helpful in setting out FSRA's perspective on how past and current conduct may affect suitability to hold a life insurance licence. We have identified some areas which we believe can contribute to FSRA's success in ensuring licensing suitability.

Draft MGA rule

FSRA states that it intends to introduce a draft Rule for consultation in early 2024 that is aimed at strengthening the regulatory framework for MGAs and other intermediaries that distribute life insurance products. In addition, the Rule will include new requirements and duties related to compliance monitoring systems and overseeing the conduct of life insurance agents. While we appreciate FSRA providing advance notice of this, we suggest that commenting on this draft guidance may be premature, as the draft Rule may impact it.

Education and training

IFB agrees that individual life insurance agents and managing general agencies (MGAs) should have the necessary skills to be licensed and have the knowledge to understand how to comply with the law, treat customers fairly and adhere to their various legal and regulatory obligations. In our view, education is an integral step to ensuring licensees meet this threshold and it begins with the LLQP.

The LLQP provides an important first step for prospective agents to learn the fundamentals of life insurance and educate them as to their obligations as agents. The LLQP program sets the baseline for



today's regulatory expectations, so these prospective agents understand the important role they have in protecting consumers. CISRO, which FSRA participates on, should regularly monitor the content of the LLQP so that graduating students are well-prepared for a career in life/health insurance.

Keeping existing licensees apprised of changing expectations and best practices is equally important. The mandatory ongoing education required of licensees should have meaningful content. In previous submissions, IFB has suggested a balanced approach to CE that would require CE to be accredited and earned under various headings (e.g., product, regulations, best practices, ethics, etc.), similar to that required for mutual fund and securities registrants.

FSRA is uniquely positioned to reach out to licensees to keep them informed of changing expectations, and consistent with the results of FSRA's [June 2023 stakeholder survey](#), there is a desire amongst its survey respondents for more online initiatives, such as webinars.

Lastly, insurers, MGAs, and industry stakeholders, like IFB, offer regular educational and training opportunities which can be used to reinforce regulatory expectations and appropriate standards of business conduct which will meet the licensee's contractual obligations and licensing requirements. While IFB does this on an ongoing basis, we are always pleased to work with FSRA to leverage opportunities to reach the target audience.

Shared suitability obligations

The guidance addresses a number of points concerning insurer and MGA supervisory responsibilities. While IFB does not specifically speak for MGAs, the majority of IFB members place business through the MGA channel.

There has been, and continues to be, consolidation amongst MGAs that are creating larger, more complex entities. In a newer trend, some MGAs have been purchased by insurance companies. While there are business and operational advantages in both these cases, these entities may face more difficulty in supervising large numbers of agents, as compared to smaller partnerships/agencies with more hands-on knowledge of their contracted agent's business. Similarly, larger MGAs may be more attractive to new recruits or advisors looking for more sophisticated back-office capabilities, while smaller agencies may offer a better cultural fit. While both have advantages to the advisor and clients, a consequence of regulatory change and the cost of change may result in further consolidation whereby smaller agencies are forced out of the market by insurers or by acquisition, or by reduced financial capability to compete and attract/retain advisors with established books of business. This is a concern of ours as it threatens to reduce the accessibility of insurance to consumers, especially in smaller markets.

IFB agrees that all insurers and licensees should share the responsibilities to ensure customers are treated fairly and receive suitable advice. This underpins the integrity of the insurance industry. We note, however, the possible market consequences which may lead to a reduction in product shelf by MGAs, in response to these responsibilities. This has been a consequence of the CSA's Know Your Product and other suitability requirements arising from the Client Focused Reforms in the securities



industry. The most notable example of this is the reduction of independent products being offered at Canada's major banks, in favour of their proprietary products.

Outdated legislative framework

Ontario's existing regulatory framework is rooted in the career/captive supervision of agents by insurers which does not reflect the current business or distribution reality. While FSRA aims to work toward a more effective approach to supervision, it is hampered by legislation and regulations which do not address the changes in distribution that have become prominent in the past 40 years. We suggest that modernizing the existing legislation to better reflect the roles and responsibilities of all those in the distribution system is required.

Harmonization

In recent years, several provincial jurisdictions have issued guidance or regulatory approaches intended to define the role of the MGA in their licensing regimes. Examples include the Insurance Council of B.C.¹, Saskatchewan Insurance Council² and the New Brunswick Financial and Consumer Services Commission³. In addition, the [CISRO/CCIR Guidance Conduct of Insurance Business and Fair Treatment of Customers](#) (adopted by FSRA) includes MGAs in its definition of an intermediary. We encourage FSRA to work with its provincial counterparts to adopt definitions and requirements that are consistent between jurisdictions. Many life licensees are licensed in multiple jurisdictions, and often insurers have national operations. Harmonizing definitions and approaches reduces regulatory confusion, costs, and the need to design tailored approaches for a particular jurisdiction.

In closing, IFB appreciates the work FSRA is doing to foster an open and transparent relationship with its regulated entities, so they better understand their obligations and FSRA's approach to adjudicating licensing suitability. There have been a great number of initiatives from regulators which have affected regulatory expectations in recent years. Adapting to these can be challenging for licensees. We encourage FSRA to use additional communication vehicles, such as webinars, to reach the intended target audience, and utilize its industry partners, like IFB, to assist in this regard.

Thank you for the opportunity to comment. Please contact the undersigned, or Susan Allemang, Director, Policy & Regulatory Affairs (e: sallemang@ifbc.ca) should you have any questions.

Yours truly,

Nancy Allan

Executive Director

T: 905.279.2727 Ext. 102

E: allan@ifbc.ca

¹ B.C. Insurance Council. [Guidelines for Life Insurance Agencies](#). April 2022

² [Saskatchewan Insurance Act](#). Division 2, Insurance Intermediaries. January 2020.

³ Financial and Consumer Services Commission. [Rule INS-001 Insurance Intermediaries Licensing and Obligations](#). February 2023.