



**Market Conduct:**

# **Life and Health Insurance Agent Supervision Report**

**Fourth Edition – 2022-23 and 2023-24**

**December 2024**

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## Executive summary

Consumers buy life and health insurance so they can have certainty of guaranteed protection when they need it. With many options available, most consumers rely on life and health insurance agents (“life agents”) to help them buy the right product.

Life agents sell and service insurance products on behalf of approximately 70 insurance companies licensed in Ontario. FSRA licenses and supervises over 60,000 life agents.

FSRA protects consumers by supervising life agents to ensure they meet the requirements to hold a licence and comply with the *Insurance Act* (the “Act”), the regulations, and FSRA rules under the Act, including FSRA rules – Unfair or Deceptive Acts or Practices (“UDAP”). FSRA educates consumers about their rights, handles complaints, investigates cases of noncompliance and may take regulatory action when needed.

FSRA uses a principles-based and evidence-informed approach to regulation. This allows FSRA to protect consumers by focusing resources on insurers and life agents that pose the highest risk.

FSRA proactively examines life agents and relies on insurers and managing general agents (“MGAs”) to report unsuitable life agents. An insurer is required by law to report if it has reasonable grounds to believe that a life agent who acts on behalf of the insurer is not suitable to carry on business as a life agent<sup>1</sup>. Since March 2023, FSRA has been receiving reports on the Life Agent Misconduct Report (“LAMR”) <sup>2</sup> online portal.

- FSRA received a total of 123 LAMRs in 2022-23 and 144 in 2023-24.
- Parallel examinations were conducted for most of these LAMRs, and the total number of examinations conducted were 102 in 2022-23 and 92 in 2023-24.

<sup>1</sup> S. 12(3) of Ontario Regulation 347/04

<sup>2</sup> The LAMR replaced the Life Agent Reporting Form (LARF), which is referenced in previous reports.

## Key findings

Based on supervision, FSRA has identified life agent behaviour that does not serve consumer interests, including:

- Providing false or misleading information to insurers and consumers
- Engaging in coercion
- Fronting for unlicensed individuals
- Not providing written disclosure of conflicts of interest
- High incidence of not adhering to best business practices

FSRA has taken action by revoking or suspending some life agent licences and imposing administrative monetary penalties. FSRA will continue to take action as necessary.

This report contains detailed information about the 2022-23 and 2023-24 LAMR cases and examinations of life agents.

## Next steps

Promoting high standards of business conduct to protect the rights and interests of consumers is the focus of FSRA's life agent activities.

Going forward, FSRA will prioritize working with industry to improve the quality of LAMRs received and sharing trends. This will allow FSRA to focus on areas where there is greatest risk for consumer harm.

The outcomes of FSRA's supervision suggest there is more work for industry to do to protect consumers.

Life agents should sell insurance products that suit their clients' needs. Insurers are responsible for the appropriate conduct of all life agents representing them, including life agents contracted with their distribution partners. They must ensure life agents are suitable and that their compliance systems are designed to ensure compliance with the Act, the regulations and FSRA rules.

## LAMR review outcomes – 2022-23 and 2023-24

In 2022 FSRA published its Life and Health Insurance Agent Supervision Framework (the "Framework"), which promotes FSRA's vision of financial safety, fairness and choice for Ontarians. The Framework tests and verifies life agent compliance with the Act, its regulations, and FSRA rules, including UDAP. The *Conduct of Insurance Business and Fair Treatment of Customers Guidance* ("FTC Guidance"), provides industry guidance on putting the best interests of customers first.

A key component of the Framework is the LAMR program. Ontario Regulation 347/04 (the "Regulation") under the Act requires, pursuant to section 12, that insurers establish and maintain a system that is reasonably designed to ensure that each life agent representing an insurer complies with the Act, its regulations, FSRA rules and the life agent licence. This insurer obligation exists for all distribution channels, including MGAs.

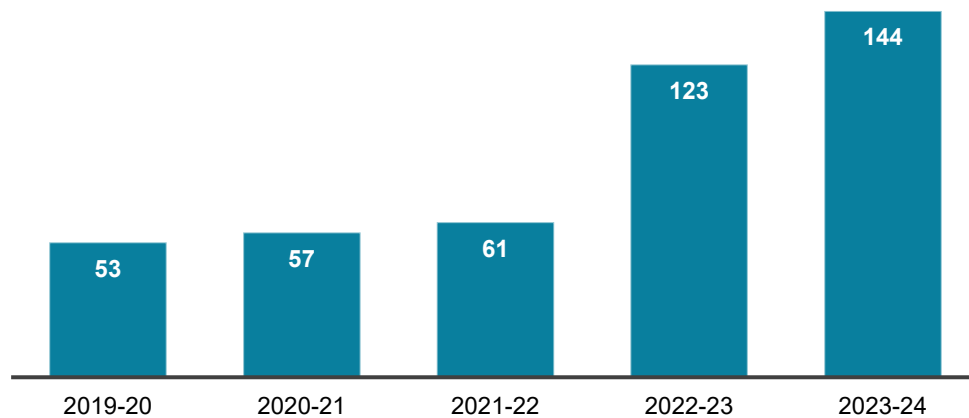
Section 12 (3) of the Regulation also states that an insurer shall report if it has reasonable grounds to believe that an individual is not suitable to carry on business as a life agent. To protect consumers from life agents who are not suitable, insurers should have an established mechanism to monitor their life agents and report findings of unsuitable life agents to FSRA and other appropriate parties in a timely manner. Although not statutorily required, MGAs may also report unsuitable life agents to FSRA.

In March 2023, FSRA made it easier to report life agents who may be unsuitable by launching the LAMR Online Service Portal. The portal reduces administrative burden for both industry and FSRA, allowing more "up front" information to be provided (141 data points), including secure upload of investigation reports and supporting evidence. The

LAMR portal enables more robust risk analytics and publications in support of FSRA’s Market Conduct and Policy initiatives.

The chart below is a year-to-year comparison of LAMRs received since FSRA’s inception in June of 2019. From fiscal year 2019-20 to 2021-22 the number of LAMRs received grew at a rate of 7 to 8 percent. However, in 2022-23, FSRA began to see an increase in the LAMRs received, with a total of 123 LAMRs received (102 percent increase) in 2022-23, and a total of 144 LAMRs received (17 percent increase) in 2023-24.

**Number of LAMRS received (year-to-year comparison)**



Through the publication of LAMR outcomes, and prioritizing LAMRs in the Framework, FSRA has encouraged industry reporting of life agent suitability concerns. Therefore, the year-to-year increases in LAMRs<sup>3</sup> received does not necessarily represent an increase in life agent misconduct.

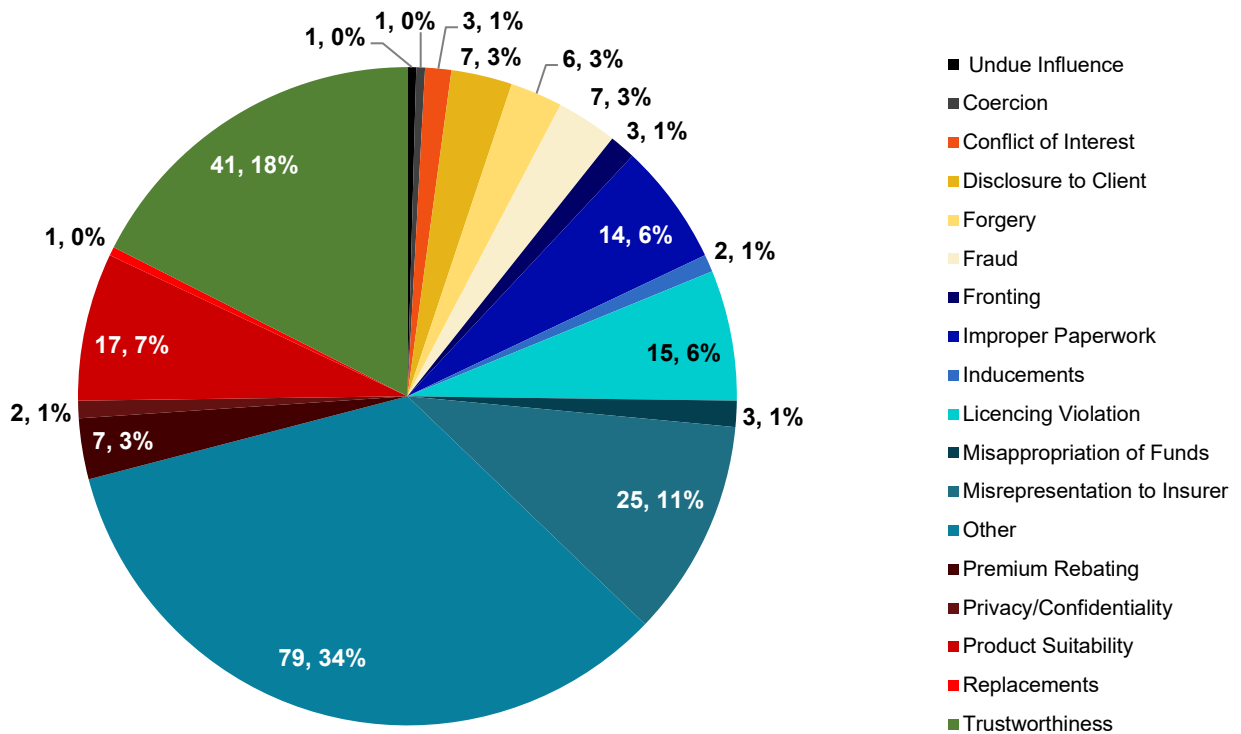
<sup>3</sup> FSRA sometimes receives multiple LAMRs regarding one life agent, who may be contracted with more than one insurer.

## Life agent misconduct

Insurers and MGAs may report more than one type of misconduct by a life agent in a LAMR, and multiple types were alleged in the majority of the LAMRs received by FSRA during the reporting periods. The charts below identify the types and counts of alleged life agent misconduct reported to FSRA in 2022-23 and 2023-24, as reviewed by the Life Agent Unit<sup>4</sup>.

The most common misconduct reported over the two years is “other”<sup>5</sup> with unethical<sup>6</sup> behaviour and terminated by another insurer being common issues. The second and third most commonly reported, were trustworthiness, and misrepresentation to insurers. In 2023-24, fraud and forgery were also frequently reported.

**Misconduct type as reported in LAMRs 2022-23**

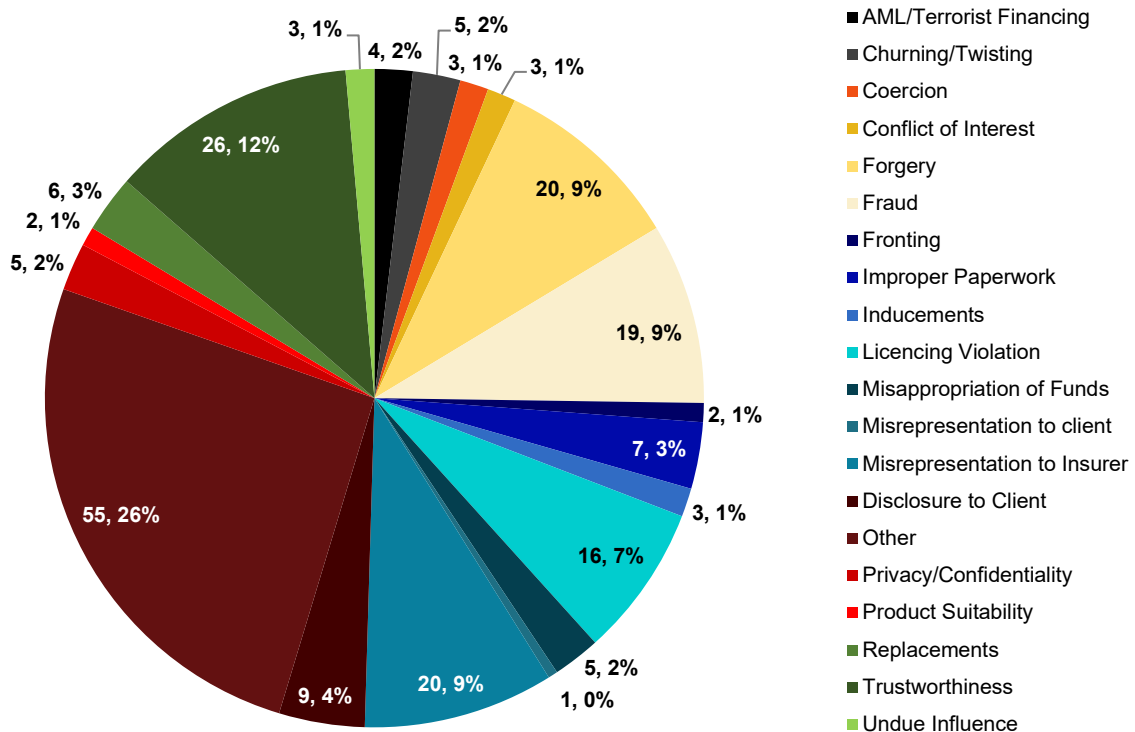


<sup>4</sup> Note: Throughout the report, numbers and percentages may not add due to rounding.

<sup>5</sup> “Other” covers misconduct not captured by FSRA’s database categories.

<sup>6</sup> Examples of unethical behaviours include acting without explicit client’s instructions and use of altered documents.

### Misconduct type as reported in LAMRs 2023-24



### Summary of outcomes

FSRA ensures consistency in evaluating LAMR cases. All LAMR cases are reviewed by the Life Agent Unit. This review can lead to multiple outcomes, including escalations to Regulatory Discipline Officers<sup>7</sup> or Legal and Enforcement<sup>8</sup> for investigation and enforcement action based on contraventions of the Act, its regulations or FSRA rules. FSRA takes a progressive and measured approach to enforcement based on the evidence and unique circumstances of each case. FSRA actions can include a letter of warning, a licence sanction including revocation, refusal, suspension, conditions and administrative monetary penalties.

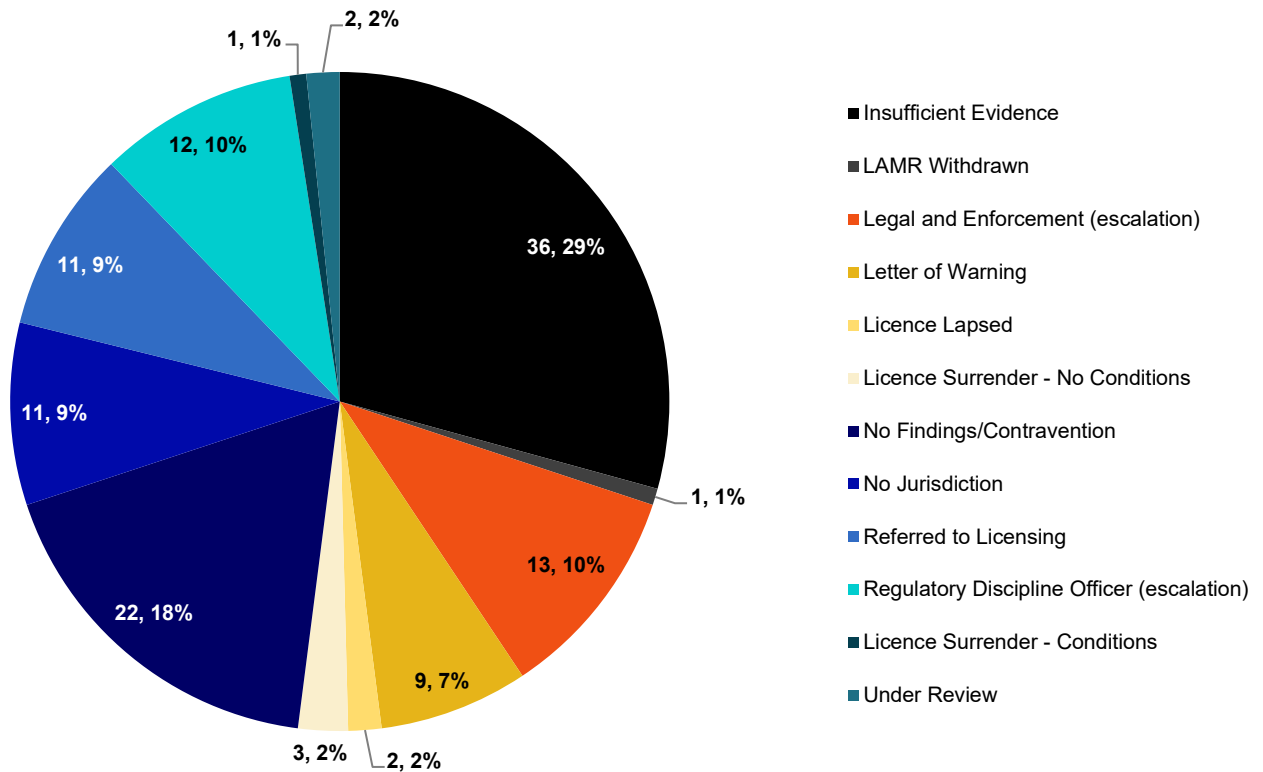
<sup>7</sup> Regulatory Discipline Officers are responsible for compliance outcomes for escalations related to contraventions of the Act and regulations.

<sup>8</sup> Legal and Enforcement is responsible for enforcement actions for escalations related to contraventions of the Act, regulations and FSRA rules.

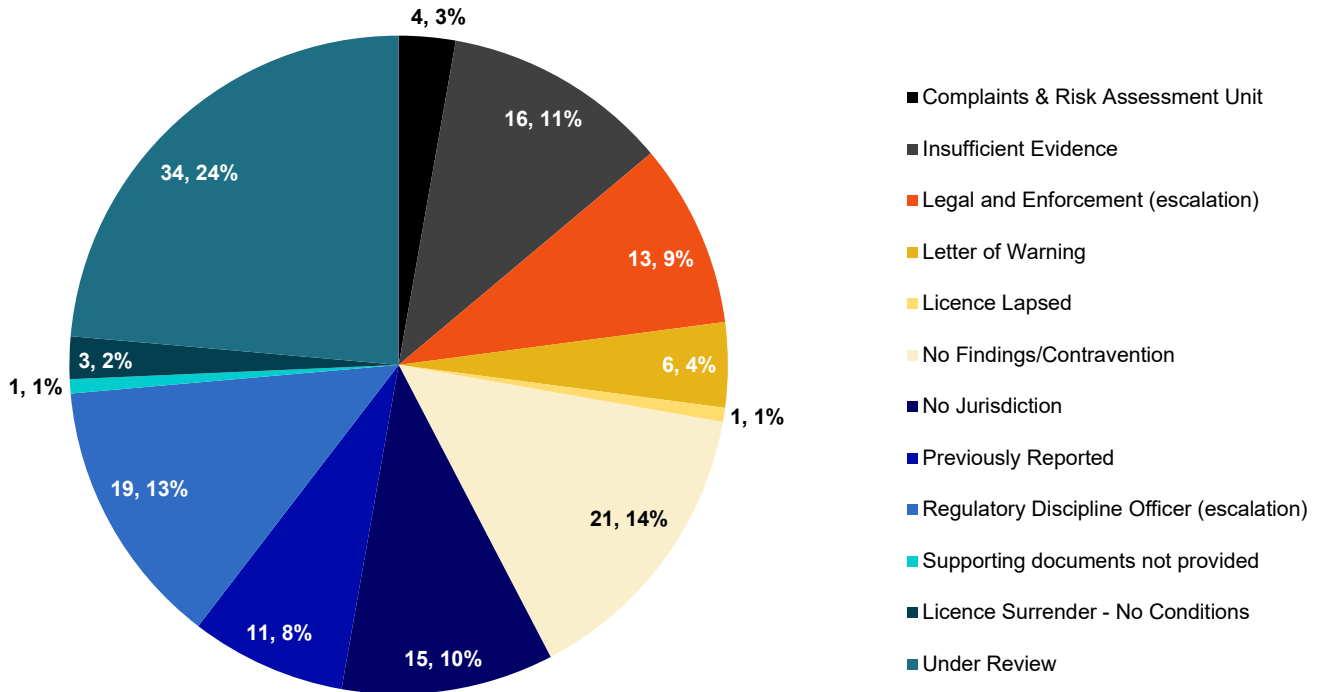


The charts below set out the outcomes for the reporting period. Of the 123 LAMRs received by FSRA in 2022-23, 87 (71 percent) cases were closed within the Life Agent Unit. In 2023-24, 74 (51 percent) cases were closed within the Life Agent Unit. Files that are not closed are escalated.

### Life agent review - LAMR outcomes 2022-23



### Life agent review - LAMR outcomes 2023-24

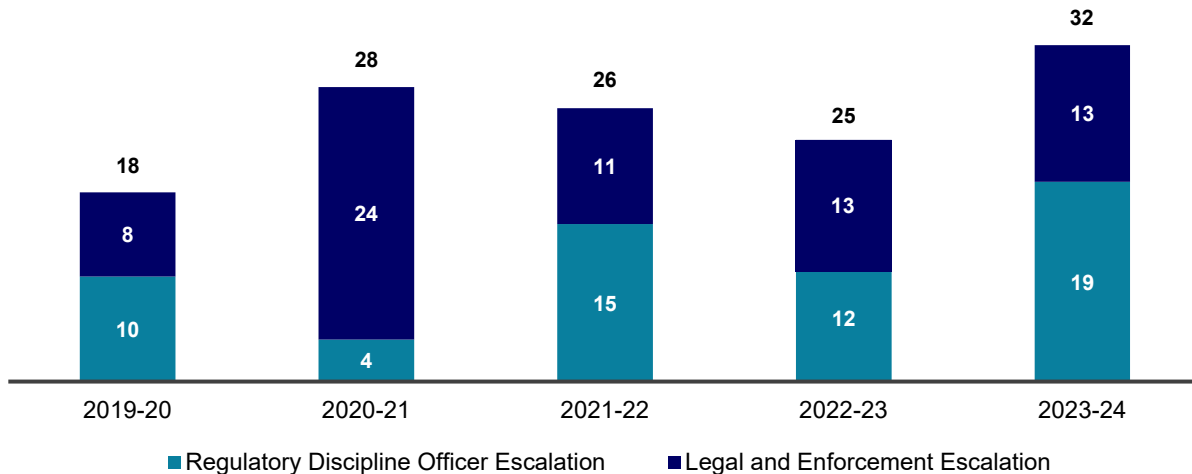


### Escalated LAMR outcomes – 2022-23 and 2023-24

The Life Agent LAMR Outcome charts for 2022-23 and 2023-24 on the previous pages speak to escalation of LAMR cases. The chart below provides a year-to-year comparison of LAMR escalations since FSRA’s inception in June 2019.

- Of the 123 LAMRs received by FSRA in 2022-23, 25 (20 percent) cases were escalated, 12 (10 percent) to Regulatory Discipline Officers and 13 (10 percent) to Legal and Enforcement.
- Of the 144 LAMRs received by FSRA in 2023-24, 32 (22 percent) cases were escalated, 19 (13 percent) to Regulatory Discipline Officers, and 13 (9 percent) to Legal and Enforcement.

### Number of escalated LAMRs (year-to-year comparison)



### Escalations to regulatory discipline officers and legal and enforcement

Escalated LAMRs are investigated, as necessary, and assessed for potential enforcement action. Related LAMRs may be combined, along with any relevant complaints and other reports to FSRA for comprehensive action. Multiple LAMRs may be handled together and result in a single enforcement action and proportionate sanction against a life agent, and others involved in misconduct.

FSRA reports enforcement action and outcomes in its Annual Reports – [2022-23 Annual Report](#) – (Appendix C and E) and [2023-24 Annual Report](#) – (Appendix B and D). In 2022-23, Legal and Enforcement imposed 21 unique enforcement sanctions in the life and health insurance sector, including 6 license sanctions and 9 administrative monetary penalties totalling \$375,000. Market Conduct, including Regulatory Discipline Officers, imposed 759 warning letters and 361 conditions on license and 27 administrative monetary penalties.

In 2023-24, Legal and Enforcement imposed 15 unique enforcement sanctions in the life and health insurance sector including 7 license sanctions and 6 administrative monetary penalties totalling \$186,000. Market Conduct, including Regulatory Discipline Officers, imposed 755 warning letters and 248 conditions on license and 41 administrative monetary penalties.

The slight reduction in enforcement action in 2023-24 is in the context of a 4 percent decrease in escalations to Regulatory Discipline Officers and Legal and Enforcement from 2021-22 to 2022-23. It takes time to thoroughly review, investigate, assess, and initiate enforcement action, and increases in LAMRs and misconduct identified by insurance companies and MGAs may not result in increased enforcement within the same reporting period.

Enforcement actions resulting from LAMRs are available in FSRA's public searchable [enforcement database](#) ([Enforcement actions and warnings](#)).

## **LAMR concluding comments**

FSRA considers life agent suitability to be a priority area for supervision to ensure consumer protection. Ensuring compliance to protect consumers is a key priority for the Life Agent Unit. FSRA will continue to take appropriate action against life agents based on LAMRs received by insurers and MGAs.

It is also notable that in 2023-24, FSRA was unable to act on over 10% of LAMRs submitted (insufficient evidence 11%, supporting documents not provided 1%). This suggests potential quality of information issues with some LAMR filings. The Life Agent Unit will continue to encourage insurers and MGAs to provide full investigative reports when submitting LAMRs.

LAMRs are also used to inform broader supervisory perspective and supervision of life and health insurance companies.

## Life agent examination report – 2022-23 and 2023-24

The life agent examination program is designed to test and verify life agents' compliance with the Act, its regulations, and FSRA rules, including UDAP. The program also looks at how life agents' business practices align with FTC Guidance and industry best practices<sup>9</sup>, including 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 the questionnaire
2. review the completed questionnaire
3. request for life agent consumer files
4. review life agent consumer files to verify compliance with the Act, regulations and FSRA rules and life agent's adherence to 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.

<sup>9</sup> The Approach (Serving the Client Through Needs-Based Sales Practice) by the Canadian Life and Health Insurance Association is used as reference for Best Practices. Best Practices are reviewed when looking at client files during an examination.

Life agents who are unresponsive to any part of the examination program can contravene sections 442.1 to 442.3 of the Act and may have their case escalated for potential enforcement action.

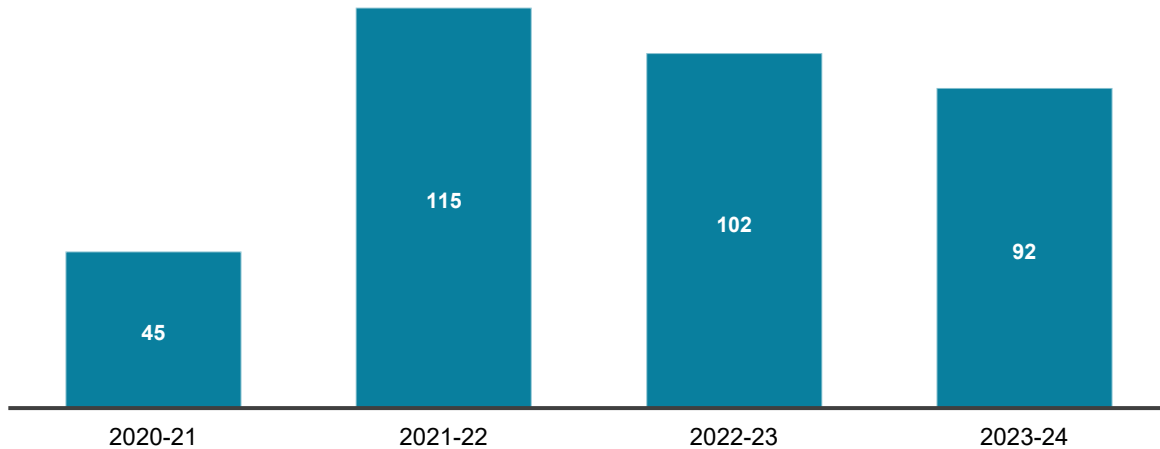
FSRA takes a progressive and measured approach to discipline and considers action based on evidence and the unique circumstances of each case. The type of regulatory action/enforcement tools that FSRA applies may help influence the behaviour of life agents. Tools range from inquiries, examinations, requests for information, education, best practices letters, to enforcement actions such as letters of warning, licensing conditions, licence revocations, licence suspensions and administrative monetary penalties.

### **Summary of examinations conducted and origins of examinations**

The chart below is a year-to-year comparison of life agent examinations conducted by FSRA under the Framework from 2020-21 to 2023-24. For 2022-23, 102<sup>10</sup> life agent examinations were conducted, and in 2023-24, 92 examinations were conducted. In 2023-24, resources were focused on managing the increase in LAMR submissions.

<sup>10</sup> Between May 2022 and April 2023 FSRA also conducted three thematic examination campaigns to review the compliance and business practices of 130 life agents contracted with 3 MGAs. The results of this thematic review were published in October 2023 (Life Agent Thematic Examinations: Tiered Recruitment Model MGAs).

### Number of examinations conducted (year- to-year comparison)



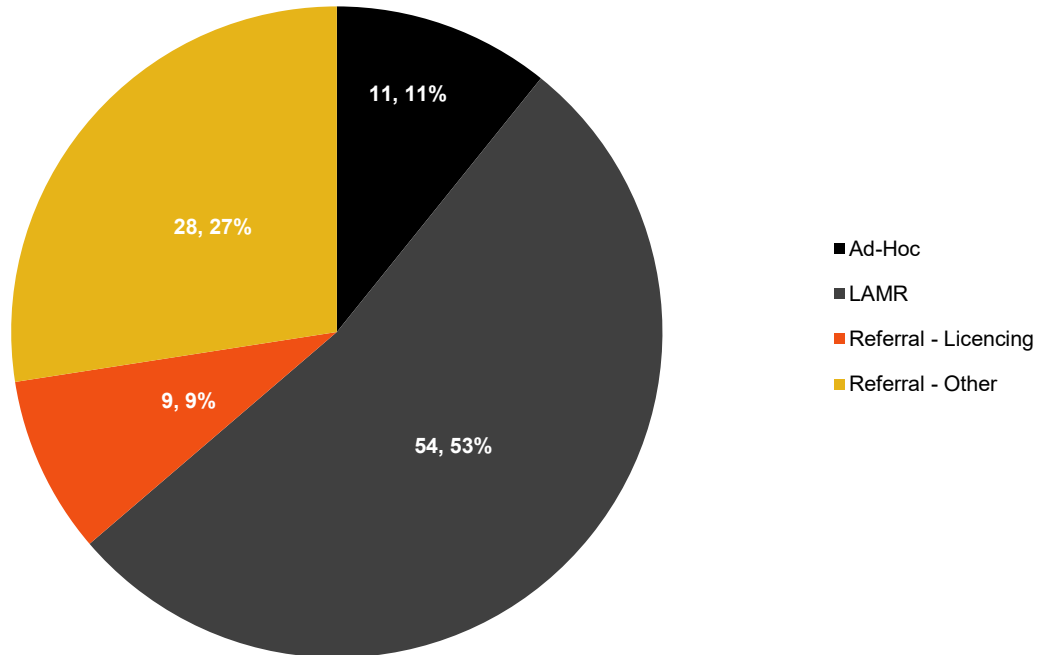
The charts below show the origin of examinations. Of the 102 examinations conducted in 2022-23:

- 54 (53 per cent) cases originated from LAMRs submitted by insurers and MGAs.
- 28 (27 per cent) cases were referred from other sources
- 9 (9 per cent) cases were referred from the Licensing Unit

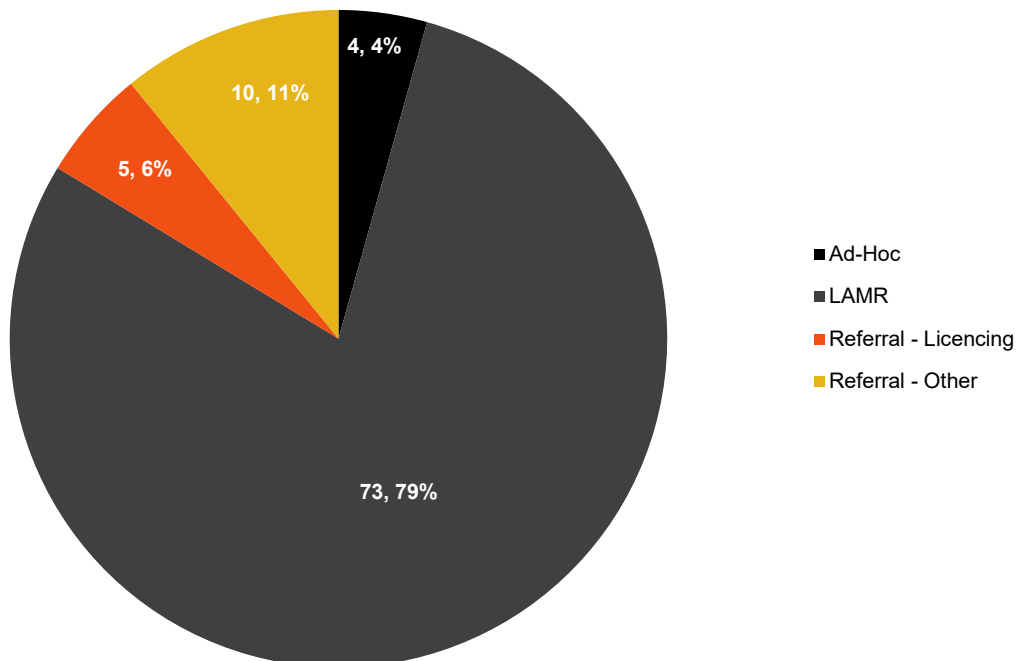
In 2023-24, of the 92 examinations conducted:

- 73 (79 per cent) cases originated from LAMRs submitted by insurers and MGAs
- 10 (11 per cent) cases were referred from other sources
- 5 (6 per cent) cases were referred from the Licensing Unit

### Origin for examinations conducted 2022-23



### Origin for examinations conducted 2023-24

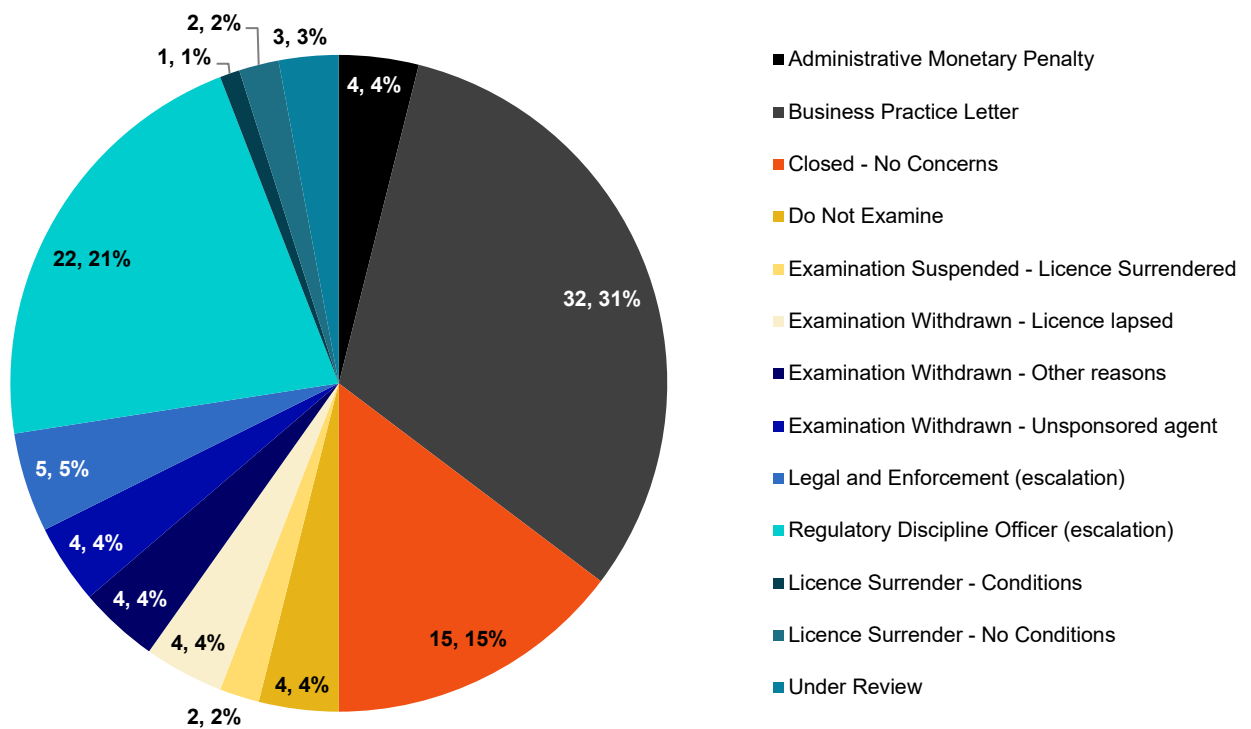




## Examination outcomes

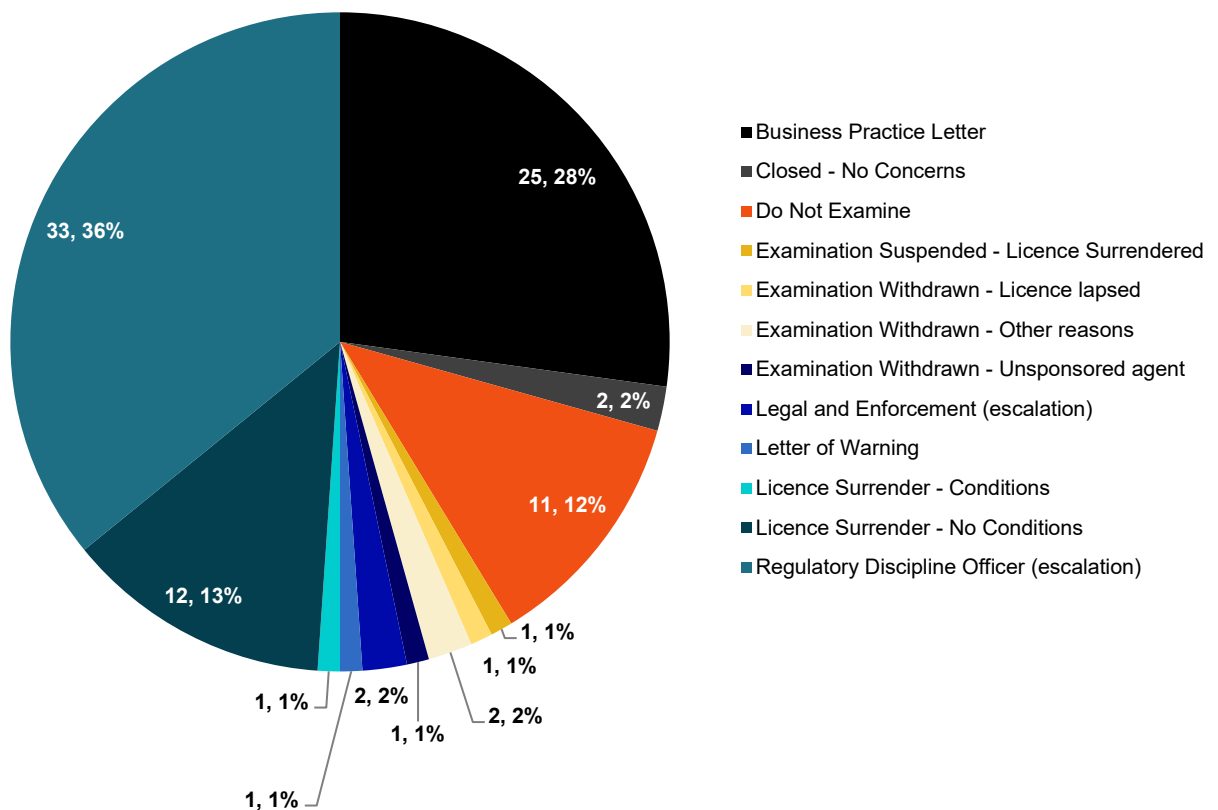
Of the 102 exams conducted by the Life Agent Unit in 2022-23, 32 (31 percent) resulted in the issuance of a business practice letter to life agents, 22 cases (21 percent) were escalated to Regulatory Discipline Officers, 15 (15 percent) were closed with no concerns, 5 (5 percent) were escalated to Legal and Enforcement, and 4 (4 percent) life agents were issued administrative monetary penalties. In the balance of the cases, no action was taken for a variety of reasons, including the withdrawal of an examination due to a licence lapse or surrender.

**Life agent unit examinations review - Outcomes 2022-23**



For the 92 examinations conducted in 2023-24, 33 (36 per cent) were escalated to Regulatory Discipline Officers, 25 cases resulted in the issuance of business practice letters to life agents, 12 (13 percent) resulted in the life agents surrendering their licence, and in 11 (12 percent) cases an examination did not proceed because the sponsorship of the life agent may have been terminated by the sponsoring insurer, the life agent license terminated or the life agent ceased activity and no longer had access to consumer files, and 2 (2 percent) cases were escalated to Legal and Enforcement. For the balance of the cases, no additional action was taken for a variety of reasons, including the withdrawal of an examination due to a licence lapse.

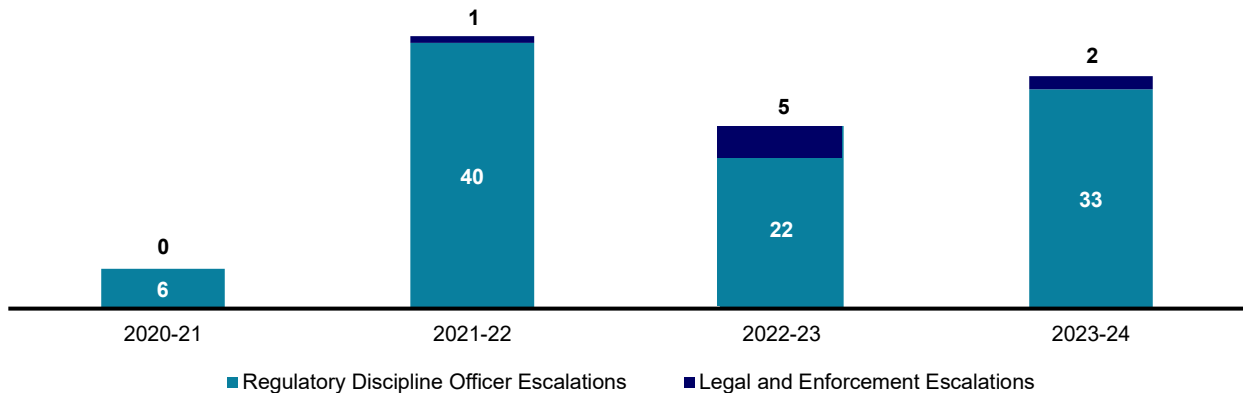
### Life agent unit examinations review outcomes 2023-24



There were 27 examination cases escalated to Regulatory Discipline Officers or Legal and Enforcement in 2022-23 and 35 in 2023-24. In 2022-23, this represented a 34 percent decline from the 2021-22 escalations, but in 2023-24 escalations increased again by 30 percent.

See LAMR section “Escalations to Regulatory Discipline Officers and Legal and Enforcement”, for information on outcomes of escalated examination cases.

### Number of escalated examinations (year-to-year comparison)

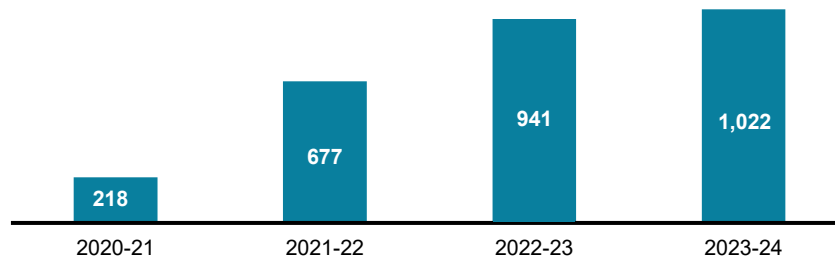


## Best practice<sup>11</sup> issues identified – Examinations

Best practices are key to promoting consistent standards for the life and health insurance industry to demonstrate suitability of life agents under the Act and compliance with the Act, the regulations and FSRA rules, including UDAP. When a life agent acts in an unsuitable manner, there is increased risk of consumer harm.

The chart below is a year-to-year comparison of best practice issues identified during life agent examinations. For 2022-23, a total of 941 counts of best practice issues were identified in 102 examination cases and 1,022 counts of best practice issues were identified in 92 examination cases in 2023-24.

**Counts of best practice issues (year-to-year comparison)**



The top five best practice issues identified in 2022-23 were: missing contemporaneous notes, missing disclosure regarding the range of products offered, missing delivery receipts, missing policy illustrations, and lack of insurance needs analysis. The top five best practice issues identified in 2023-24 were: missing contemporaneous notes, missing disclosure regarding the range of products offered, missing illustrations of different product scenarios, lack of insurance needs analysis and missing delivery receipts. Given the

<sup>11</sup> The Approach (Serving the Client Through Needs-Based Sales Practice) by the Canadian Life and Health Insurance Association is used as reference for Best Practices. Best Practices are reviewed when looking at client files during an examination.

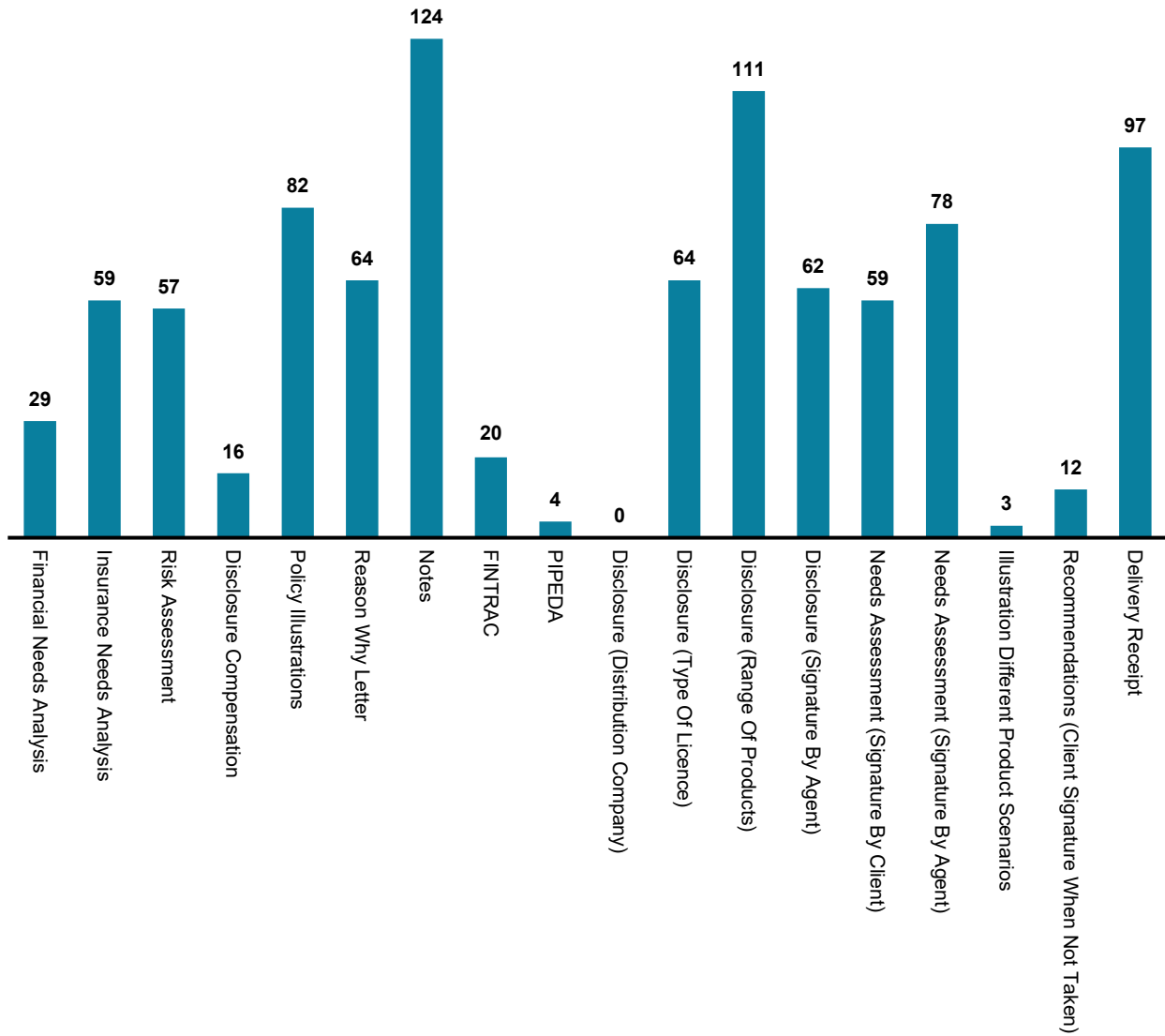
number of examinations conducted changes from year-to-year, this is not indicative of a trend.

Best practices, and the documents that support them, are key to demonstrating needs-based sales practices. More importantly, they help ensure that consumers are provided with suitable advice to buy products that meet their needs. For example:

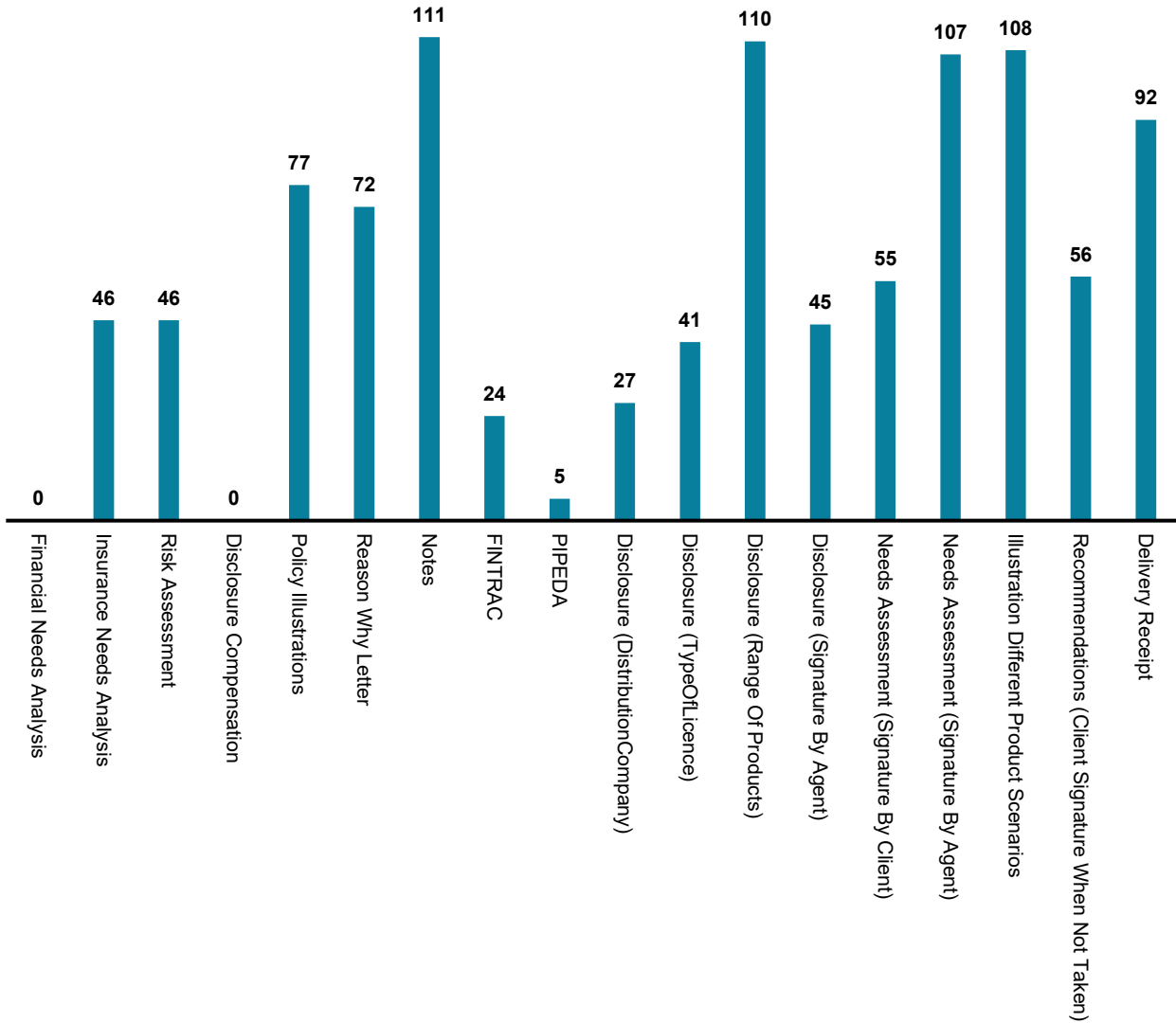
- Contemporaneous notes provide a record of all consumer interactions and the steps taken by the life agent to inform the consumer and to support the suitability of the sale.
- An insurance needs analysis helps determine the most suitable product and coverage amount for the consumer.
- A delivery receipt confirms that the policy was delivered to the consumer. The policy illustration shows how the policy's value changed over time and the assumptions underpinning these values.
- The Advisor Disclosure must be provided to the consumer or potential consumer in writing, and it should include the agent's licensing jurisdiction, how the life agent is compensated, the distribution channel, insurer representations, and any conflicts of interest.

These types of documents help demonstrate that the life agent provided detailed and informed professional advice, that the consumer understood the product they purchased, and that the product sold put the consumer's interests first.

### Counts of best practice issues found from examinations 2022-23



### Counts of best practice issues found from examinations 2023-24



Under the Framework, the Life Agent Unit will continue to review best practices as a risk criterion to mature its risk-based approach to life agent supervision.

## Life Agent examination concluding comments

The Life Agent Unit continues to mature its risk-based approach in identifying risk criteria, analyzing data, and determining targeted responses to emerging risks. For example, in late 2023, FSRA internally operationalized a comprehensive and secure case management tool, featuring dynamic timeline and note functionality, which utilizes artificial intelligence-driven data scraping.

In taking a risk-based approach, it should be noted that examination outcomes are not necessarily representative of the entire industry, and the year-to-year outcomes may not necessarily be comparable. However, the examination outcomes in this report also indicate there is more work for industry to do to ensure agents' business practices support fair outcomes for consumers.

## Conclusion

Through market conduct supervision and enforcement activities, FSRA has worked to ensure that life agents are compliant with the Act, the regulations, and FSRA rules including UDAP, and monitored adherence with FTC Guidance and industry Best Practices to enhance market conduct oversight to protect consumers. The supervision carried out under the Framework has contributed to public confidence, promoted transparency, and deterred deceptive or fraudulent conduct, practices, and activities. The activities of the Life Agent Unit promote and reinforce FSRA's statutory objects and align with ongoing FSRA oversight initiatives in the life and health insurance sector by:

- Promoting consumer protection and FTC Guidance.
- Promoting life agent regulatory compliance and industry best practices.
- Informing licensing suitability, policy initiatives, and enforcement actions.
- Informing oversight initiatives of life insurers and MGAs.



- Demonstrating FSRA's regulatory effectiveness.

Ensuring compliance to protect consumers is a key focus of both FSRA's LAMR and proactive agent examination programs carried out under the Framework. Going forward, the Life Agent Unit will prioritize:

- Identifying opportunities to improve the quality of information submitted in with LAMRs.
- Contributing to stakeholder engagement in support of partnering with industry to achieve FSRA's consumer protection outcomes.
- Sharing trends and observations from life agent supervision with other areas of FSRA in support of risk-based and evidence-informed sector oversight and public policy.
- Continuously improving the programs under the Framework to ensure resources are focused on the areas of greatest risk for consumer harm.

As FSRA refines its supervisory approach under the Framework, the outcomes of FSRA's 2022-23 and 2023-24 life agent supervision suggest there is more work for industry to do.

FSRA urges life agents to commit to needs-based sales practices to improve their overall business practices.

FSRA reminds insurers of their obligation to monitor those intermediaries authorized to sell their products and of the need to ensure their life agent compliance oversight programs are designed to identify and mitigate agent practices that do not serve customers' interests. Improved adherence to industry best practices and life agent oversight will support fair outcomes for customers.