



Stephen Frank
President and CEO

November 18, 2019

Mr. Mark White
Chief Executive Officer
Financial Services Regulatory Authority of Ontario (FSRA)
5160 Yonge St, 16th floor
Toronto, ON M2N 6L9

Dear Mr. White,

Thank you for providing the opportunity to provide feedback on the proposed 2020-21 FSRA Priorities and Budget. We appreciate the emphasis that FSRA has put on collaborating with the life and health insurance industry since its inception.

The CLHIA is a voluntary association with member companies, which account for 99 per cent of Canada's life and health insurance business. The life and health insurance industry is a significant economic and social contributor in Ontario. It protects about 10.9 million Ontario residents and makes almost \$45 billion a year in benefit payments to residents in Ontario (of which 90 per cent goes to living policyholders as annuity, disability, supplementary health or other benefits and the remaining 10 per cent goes to beneficiaries as death claims). In addition, the industry has nearly \$280 billion invested in Ontario's economy. A large majority of life and health insurance providers are licensed to operate in Ontario, with seventy headquartered in the province.

We support FSRA's proposed priorities. In particular, we believe that a reduction in regulatory burden, and improving regulatory effectiveness, will both protect Ontarians and support a thriving life and health insurance industry. The targeted life and health insurance sector priorities will contribute to an environment where consumers are confident in the life and health insurance products that they buy, and depend on, for financial protection.

Below we offer a few comments on these priorities. As FSRA moves forward with next steps, we would like to offer our continued support, and look forward to an ongoing dialogue throughout 2020-21.

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Cross Sectional Priorities

Review of Inherited Guidance

We support the review of the inherited guidance. In this context, we encourage harmonization, where possible, with other jurisdictions. Possible areas for such harmonization include the fair treatment of consumers guidance. To this end, we support the use of principled-based guidance that recognizes a range of insurance company sizes and structures. This approach allows insurers the flexibility they need to comply with the regulatory expectations and requirements.

Title Protection

One area where there is a current risk of increasing regulatory burden is with titling. Already the subject of a rigorous licensing regime, those who exclusively sell life and health insurance should retain the ability to refer to themselves as advisors in respect of the specialized advice they give. It would be duplicative, and unnecessary, to require those who advise on insurance alone to also train as financial planners given the extensive training, supervision, and ongoing monitoring related to their existing licence. We would also note that the prescribed term in Quebec for those selling life insurance is “financial security advisor”.

Review Data Collection and Filing Requirements

One way of reducing regulatory burden could be to leverage information already submitted through the annual market conduct statement.

Sectoral Expertise

Over the past year, FSRA has successfully recruited a team with exceptional professional expertise. We would encourage FSRA to seek candidates with life and health insurance experience. Life and health insurance products are inherently different from those offered by other sectors that FSRA regulates. For instance, one might consider our industry’s wide range of products, which include disability insurance, annuities, segregated funds, supplementary health insurance, term, and permanent life insurance. Overall, such industry experience would likely add an important perspective.

Stakeholder Engagement

Stakeholder advisory committees are a useful tool for providing sector specific feedback on a variety of issues.

Consumer Office, Innovation and Modernization

We support efforts that focus on fair outcomes for consumers and have noted a focus on consumer issues. Work in this area should consider existing well-established complaints processes that are legislative requirements. For example, if this office were another complaints

mechanism it may cause confusion, and slow processes that effectively support speedy dispute resolution.

Budgetary Increase

We agree that FSRA should have the resources that it needs to fulfill its mandate. We would like to understand if the funding increase is a result of general expenses, or increased costs related to regulatory initiatives in one area. More specifically, we would like to understand the cause of the \$4.9 million increase to payroll for life insurance agent conduct regulation.

Priority 6.1 Enhanced Market Conduct Oversight to Protect Consumers

Understanding MGA Oversight

We would note that in the MGA channel, it is common for an advisor to contract with multiple insurers through an MGA in order to access a wide variety of insurance products for their clients. There is no single party with a fulsome view of the advisor's entire book of insurance business. While insurers have systems in place to monitor for advisor misconduct, an insurer's ability to oversee advisors is limited to the distribution of their own products. This may make it more difficult to detect advisor misconduct that may involve several insurers, such as churning. We would also note that MGAs might not have full visibility where advisors work with multiple MGAs. Currently, there are no regulatory requirements pertaining to oversight. The requirements to have compliance systems in place extends only to insurers.

Priority 6.2 Improve Licensing Effectiveness and Efficiency

Code of Conduct

We believe that a harmonized code of conduct may offer some benefits. However, we would encourage the CCIR to take a principle-based approach so that it corresponds to different systems and processes that intermediaries have in place. Most insurers incorporate codes of conduct into their sales contracts with advisors. As such, they need the flexibility to adopt these codes to their business, which may involve different distribution channels, and set oversight practices. Further, we would like to know how this code would be different from the CCIR/CISRO Fair Treatment of Consumers Guidance. Duplication may cause confusion and additional regulatory burden.

Agent Conduct Team

We would like to better understand what you envision the role of this team being. For instance, how will this team's work relate to FSRA's future enforcement activities?

Licence Processing

An efficient licensing process is an essential part of FSRA's mandate. Without a valid licence, advisors can neither sell insurance, nor receive remuneration. Longer processing timelines create a barrier for new advisors to get into the industry. Developing service standards for licence

processing, that are regularly reported on, may assist in both setting expectations, and maintaining timely processing.

Oversight

The industry has been proactive in the area of oversight. In this regard, we would note that established best practices and industry standards are set out in our industry Guidelines. There may be opportunities to leverage the existing regulatory framework that defines misconduct. Insurers have developed policies and procedures that support advisor monitoring based on this regulation. There may be opportunities for FSRA to leverage work completed in this area.

Conclusion

We look forward to working with FSRA on an ongoing basis throughout 2020-21 and we again thank you for the opportunity to provide our comments on FSRA's Priorities and Budget.

If we can provide any further information, or if you would like to discuss any of the above noted issues, please don't hesitate to contact me directly (sfrank@clhia.ca, 416-359-2985), or my colleague Lyne Duhaime, Senior Vice President, Market Conduct Policy and Regulation (lduhaime@clhia.ca, 514-375-5068).

Yours Sincerely,

Original signed by

Stephen Frank