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Mr. Mark White
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Financial Services Regulatory Authority (FSRA)
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P.O. Box 174/C.P. 174
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Re: Consultation ID 2019-007
2020-21 FSRA Priorities and Budget

Dear Mr. White,

Thank you for 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 all sectors, including the life and health insurance industry, of which we are a part. We also appreciate the opportunity to be a member of the FSRA Stakeholder Advisory Committee and look forward to a collaborative relationship as we move forward in reviewing and addressing concerns with the ultimate goal of strengthening the industry and ensuring consumers have access to much needed products and continue to be well-protected.

Primerica has been serving the Canadian Public since 1986. Primerica Life Insurance Company of Canada (PLICC) is represented by over 12,000 licensed life insurance agents across the country, with over 7,000 licensed to sell in Ontario. We insure almost 550,000 lives and operate in every province and territory in Canada. We have \$124 billion of individual term life insurance in-force protecting Canadian families with \$57 billion of that in Ontario through more than 155,000 policies.

Primerica dedicates its efforts to providing middle-income families, an often overlooked market, with access to simple, yet essential financial products with personal service provided by our exclusive (captive) sales force. Licensing and distribution are the cornerstones of our business and are critical in ensuring we adequately serve our market.

We support FSRA's proposed priorities. We believe that reducing regulatory burden and improving regulatory effectiveness will protect Ontarians while at the same time ensuring their continued access to much needed financial products. Following are our comments on these priorities.

Cross Sectoral Priorities

We commend FSRA for its commitment to burden reduction and improving regulatory effectiveness. We believe this is critical to maintaining an effective insurance industry and its related distribution channels. We support the use of principled-based guidance that recognizes objectives and outcomes that must be aligned with the consumer's interests. Moreover, there are a range of insurance company sizes, structures, and distribution models and principles-based guidance provides insurers with flexibility to comply with the regulatory expectations and requirements. These various structures also serve different markets and consumer needs, and any changes to requirements or guidelines ensure that we continue to remove unnecessary entry barriers to the industry with the goal of serving as much of the population as possible.

We believe that protecting the public is paramount in fulfilling both regulatory and industry responsibilities. We believe that priorities should be determined by reviewing real issues and risks in the marketplace, and those resolutions should be impactful and meaningful to the client. For example, compensation disclosure has been a topic of industry discussion. There is a perception that compensation practices may impact the fair treatment of consumers. Compensation disclosure has been suggested as a possible solution. As an industry, we should be focused on implementing a solution that effectively addresses the objective. Having regulators spend time and resources to address a perceived issue and having companies incur expenses to implement complex disclosure that in the end is not meaningful to the client, does not achieve the objective of ensuring the fair treatment of consumers.

We are encouraged by FSRA's commitment to innovation and technology modernization. This will also assist with the objective of improving effectiveness. We ask that FSRA consider Industry's reliance on technology, and the consumers' demand for technology, as it reviews and issues guidance.

We acknowledge that there is a gap in information sharing across jurisdictions and across sectors and are encouraged by FSRA's desire to seek sources for sharing of information such as OSFI and the MFDA. Our request in this area is that any solution involving stakeholder involvement or expense be discussed prior to being finalized to ensure that different models are not unnecessarily disadvantaged and that technology and jurisdictional harmonization be given priority consideration to help eliminate unnecessary financial burden on stakeholders.

Sector-specific: Targeted High-impact Priorities

We believe that FSRA has effectively identified the high-impact priorities and commend them for having begun to address these priorities. We understand that FSRA will be harmonizing the Fair Treatment of Consumers Guidance with the CCIR guidelines, which will assist insurers in efficient integration. We thank you for acknowledging the impact of this initiative on insurers and are pleased to see that we are aligned on a number of other initiatives.

Improving Licensing Effectiveness and Efficiency

We are encouraged by the initiative to harmonize where possible across jurisdictions. The implementation of the Harmonized Life Licensing Qualification program harmonized the credentialing standard for prospective licensees, yet the rules related to license issuance and administration have not been harmonized. In addition to considering opportunities for harmonization, we encourage FSRA to review the current structure for obtaining a license in Ontario, specifically the rules surrounding sponsorship. Currently, an insurer must attest to sponsorship prior to a license being issued. We do not believe the responsibilities of sponsoring firms have been clearly defined. That may be something that could be reviewed as part of your initiative to standardize the guidance framework. Further, it is problematic for insurers who are sponsoring licensees that may also be contracted with other companies as they do not have a full view of the licensees' activities and no jurisdiction over business conducted with other insurers.

We believe the period of 'non-sponsorship' also requires attention. For example, should a representative's contracts be terminated, for example for non-compliance with an internal requirement, if the individual is outside of the two year sponsorship period, the license remains active with FSRA, notwithstanding the fact that there is no contract in place with an insurer and therefore no active oversight of the individual.

In consideration of advisor and enhanced market conduct oversight, we agree that FSRA should focus on the MGA channel. As industry distribution methods have evolved over the years from the traditional career channel, regulatory oversight has not, creating a gap in oversight. It is common for a licensee 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 insurer with a complete view of that representative's entire book of the insurance business. Further, where regulatory requirements are 'agent responsible' requirements, most insurers have taken the position that the representative is responsible for compliance and have reinforced this in their agent agreements. While insurers have systems in place to monitor for concerns trends, their monitoring is limited to their own products. As a result, some misconduct, such as churning, can go undetected. MGAs are better able to monitor for such misconduct along with compliance with 'agent responsible requirements.' However since MGAs are not a regulated entity, compliance and enforcement are not possible. Further, with the focus on the Fair Treatment of Consumers, it would seem appropriate that MGAs which play a significant role in the distribution of products to consumers have some responsibility for the fair treatment of that consumer. It should also be noted that some advisors have contracts with multiple MGAs. This practice should be reviewed and considered as part of the overall review.

Financial Planners/ Financial Advisor Sector

Primerica strongly supports FSRA's proposal currently underway to develop a regulatory framework that enhances consumer protection, and we appreciate the opportunity to have participated in stakeholder consultation meetings. However, Primerica continues to encourage FSRA to reconsider any proposal to regulate financial advisors as if they were financial planners. We believe financial planning is a distinctly different service than what most financial services providers offer to consumers. Professional financial planners should reasonably be expected to possess deep and broad knowledge far beyond product and to consider inter-relationship among financial planning areas in formulating appropriate strategies. On the other hand, financial advisors provide advice on financial products that they are authorized and regulated to sell, and they should not be subject to an additional layer of credentials, regulation or fees to describe themselves with a title they have been trained and licensed to perform. In line with FSRA's commitment to burden reduction and improving regulatory effectiveness, it is essential to ensure the implementation of the title protection framework does not lead to regulatory overlap, complexity, cost and regulatory burden.

We thank you for the opportunity to comment on FSRA's priorities and again thank you for forming the Stakeholder Advisory Committees. We believe this shows FSRA's commitment to working with industry in a fair and transparent process to addressing the issues facing the insurance industry and in ensuring market and consumer needs are met. We would be happy to discuss any comments made in this letter and look forward to working with you as we move forward.

Sincerely,



Rosie Orlando
EVP and Chief Operating Officer
Primerica Life Insurance Company of Canada