



Independent Financial Brokers of Canada

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

November 3, 2020

Mark White, CEO
Financial Services Regulatory Authority of Ontario (FSRA)
5160 Yonge Street, 16th Floor
Toronto, ON M2N 6L9

Submitted via the FSRA website

Dear Mr. White:

Subject: FSRA Proposed 2012-2022 Statement of Priorities

Independent Financial Brokers of Canada (IFB) welcomes the opportunity to comment on FSRA's draft Statement of Priorities and budget. IFB's comments are focused on the priorities related to the life and health insurance sector, and the title protection framework for Financial Planners and Financial Advisors.

IFB is a national, professional association representing the interests of licensed financial advisors for over 35 years. IFB was established at the time when independent distribution in the life insurance industry was in its early stages. Since then, IFB members have embraced many other areas of financial services in addition to life insurance, for instance, mortgages, investments, and deposit instruments. Today, IFB remains true to its roots by supporting these independent advisors, regardless of their licensure, with education, compliance updates, professional liability insurance, and advocacy.

As a general comment, IFB appreciates FSRA's ongoing commitment to communicating with stakeholders in an open and transparent way.

IFB supports FSRA's priorities to protect the public interest, enable innovation, modernize its systems and processes, and transition to a principles-based regulatory approach.

IFB acknowledges with appreciation that FSRA does not intend to increase the individual life agent license fee. Many advisors are facing challenges brought about by the pandemic this year. A recent IFB survey indicates that nearly half of respondents have experienced a significant drop in revenue since March 2020, and that 30% are concerned about the future viability of their financial advisory practice. These advisors will appreciate the relief this decision represents.

Section 1: Protect the Public Interest

IFB supports the steps FSRA has taken to ensure consumers are at the forefront of its consumer protection efforts. The newly formed Consumer Advisory Panel will assist in FSRA's understanding of consumer-related issues. In the draft Statement, FSRA notes that the Consumer Office has undertaken research on consumer perspectives and expectations related to auto insurance and financial advice



Independent Financial Brokers of Canada

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

professionals. We would be very interested in learning the results of this research, and trust FSRA will make it available to stakeholders.

IFB has encouraged FSRA in past submissions to consider adding whistleblower protection to enhance its ability to detect patterns or sector-specific understanding of potential gaps in its market conduct oversight. Submitting a complaint on the FSRA website may be a deterrent for those who wish to remain anonymous.

Section 7.1 Life & Health Insurance. Enhance market conduct oversight to protect consumers

i) MGA market conduct review.

We agree that FSRA should have the tools and systems in place to provide effective oversight of the insurance sector, and its dealings with consumers, regardless of how they purchase life insurance products. For this reason, IFB believes that the Priority to engage in market conduct reviews should not be restricted to the MGA channel. While a large proportion of sales are placed through independent distribution, sales that occur in other distribution channels are not insignificant. We note that no research or empirical evidence has been provided in the draft Statement to support that conduct in the MGA channel represents a higher risk to consumers. Proprietary channels, national accounts, direct-to-consumer sales, and career shops are not without conflicts that can lead to poor consumer outcomes. Indeed, some insurers sell products through their career agents and independent distributors.

FSRA states in its draft Priorities that the impact of COVID-19 has occasioned *a considerable decrease in traditional distribution channels, while accelerating industry progress in digitizing the distribution of insurance products*¹ and that that FSRA will monitor technological innovations to ensure financial institutions are meeting expectations regarding business conduct and fair treatment of customers. We would be interested in knowing more about this observation.

The Fair Treatment of Customers guidance is applicable to all intermediaries in the insurance industry, regardless of the method of distribution. IFB would like to understand why FSRA is focusing on market conduct in the MGA channel, rather than focusing on market conduct oversight more generally, in accordance with the FTC guidance, and for the benefit of all insurance consumers.

We encourage FSRA to make the results of its other research available to stakeholders. These include any observations arising from the Life Agent Reporting and Market Conduct Surveys. Made available in aggregate, sharing the information would help all stakeholders be better positioned to work toward industry lead solutions.

ii) CISRO Industry Code of Conduct for intermediaries.

IFB looks forward to commenting on any proposed national Code of Conduct for intermediaries. The industry will need guidance on how the CISRO Code will integrate with existing Codes of Conduct/Ethics already in place, such as those applicable to maintaining a professional designation or accreditation, for

¹ FSRA Proposed FY2021-2022 Statement of Priorities. Page 6



Independent Financial Brokers of Canada

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

members of a professional association (like IFB), and insurer Codes which often form part of an advisor's contractual arrangements.

iii) CE Standards.

It has been our understanding that CISRO has a project to review existing CE standards and develop a national approach to education standards for continuing education providers and licensees. Improvements to advisor proficiency, including CE, were part of the G4 Advisor Oversight recommendations provided to the CCIR and CISRO last year. However, it is unclear when the project might proceed.

In light of this, we encourage FSRA to move ahead with a review of its current CE guidelines and consider updating them in line with other CE models applicable to professionals and already in place. These models could include CE requirements for CFPs®, IIROC registrants, RIBO licensees, and anticipated for MFDA registrants.

Too many advisors are provided with CE through their MGA and/or insurer that is sales-based, leaving out the many other components of a truly professional educational program, such as ethics, practice standards, regulatory and compliance updates. This is not to say there is no place for product education, when the focus is on the design and mechanics of a particular product such that an advisor is better able to compare and contrast the products of different manufacturers. Under the current guidelines, however, it is possible for an advisor to obtain all of his/her mandatory continuing education at seminars focusing on the features of specific products, thereby diluting the value, purpose, and intent, of the CE requirement.

We believe introducing a modern, segmented CE guideline can be done without creating an additional regulatory burden for licensees, while aligning with FSRA's over-arching goal to promote confidence and professionalism in the Life and Health sector.

iv) Segregated funds.

IFB supports the review of how segregated fund disclosures can be more meaningful to consumers. IFB provided input on the disclosure mutual fund disclosures, and to the CCIR on segregated funds in previous consultations, and we look forward to commenting further as more information becomes available.

Section 10: Financial Planners/Financial Advisors. Implement the title protection framework for Financial Planners/Financial Advisors.

IFB has long supported restricting the use of titles that are confusing, even misleading, to consumers.

IFB members will be affected by this new framework, and as such take great interest in how it will be constructed and implemented in a way that will not impose an undue burden on advisors.

IFB will contribute detailed comments to FSRA's current consultation on the titling framework on or before the consultation deadline on November 12.



Independent Financial Brokers of Canada

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

In closing, we trust our comments will be helpful as FSRA works toward finalizing its draft Priorities. IFB will continue to work with FSRA on the Life & Health and Financial Planner/Financial Advisor priorities, while being mindful of the treating customers fairly guidance, and the need for a measured approach to regulation that will not result in unintended consequences for those who have chosen to serve clients as independent advisors.

Please contact the undersigned, or Susan Allemang, IFB Director of Policy & Regulatory Affairs (sallemang@ifbc.ca), should you have questions or wish to discuss our comments further.

Yours truly,

A handwritten signature in black ink that reads 'Nancy Allan'. The signature is written in a cursive, flowing style.

Nancy Allan
Executive Director
905-279-2727
allan@ifbc.ca
www.ifbc.ca