



November 12, 2020

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,

Re: Proposed Rule [2020-001] – Financial Professionals Title Protection
About Primerica

Primerica Financial Services is a leading distributor of basic financial savings and protection products to middle-income households throughout Canada. Our Canadian corporate group includes our life insurance company Primerica Life Insurance Company of Canada (PLICC), our mutual fund dealer PFSL Investments Canada Ltd (PFSL) and our mutual fund manager (PFSL Management Ltd.). Primerica has been serving the Canadian public since 1986. PLICC is represented by over 12,000 licensed life insurance advisors across the country, with over 7,000 licensed to sell in Ontario. About 60% of our life insurance advisors are dually licensed as mutual fund representatives through PFSL. We insure almost 550,000 lives and operate in every Province and territory in Canada. We have \$131 Billion of individual term life insurance in-force protecting Canadian families, with \$65 Billion of that in Ontario. Our mutual fund dealer contracts with the largest independent mutual fund sales force in the country and administers over \$11.5 billion of client investments, the vast majority of which serve the savings needs of middle-income Canadians.

Primerica dedicates its efforts to providing middle-income families with access to simple, yet essential products and services through one of the nation's largest exclusive (captive) sales forces. We consider our focus on middle-income Canadians one of the distinguishing features of our company. This segment of the market is often underserved as the cost of servicing and providing personal advice continues to grow, making smaller accounts uneconomical for many advisors and companies.

With this experience and a focus on preserving access to affordable financial products and services, we submit our comment letter on the Proposed Rule [2020-001] – *Financial Professionals Title Protection* to FSRA.

General Comments

We support FSRA's effort to ensure the public is protected by bringing greater clarity and transparency to the use of financial titles and requiring appropriate mandatory credentials where these are absent such as in the case of financial planners.

While regulation to ensure proper use of titles is important, it is equally important to recognize existing programs that offer appropriate training, licensing and oversight, and protection to consumers. We are concerned that additional layers of training, regulation and fees will lead to duplication of requirements. This duplication, in turn, can create barriers for advisors serving middle-income families without enhancing consumer protection. Personalized advice and service needs to remain accessible and affordable to main street Ontarians. Barriers to entry into financial advisory work can significantly hamper the much-needed access to personal advice, particularly for those in the middle market.



Whether in insurance, mutual funds or securities, individuals using the Financial Advisor title in the performance of these activities and the activities themselves are already highly and well regulated. They are subject to appropriate licensing, training and exams, continuing education requirements and carry errors and omissions insurance. Their market conduct is subject to regulation under their respective licensing bodies. They are also subject to oversight by licensed companies such as life insurance companies and mutual fund dealers whose respective regulators established supervision obligations. They regularly use the Financial Advisor title and there should be no concern with them continuing to do so. Any new credentialing and oversight requirements must not duplicate and overlap the existing framework. Further, it is important to guard against conflicts of interest - perceived or real – of any future credentialing bodies.

Primerica is supportive of banning deceptive titles. However, and this is of utmost importance, when licensed advisors provide advice on financial products that they are authorized and regulated to sell, they must not be subject to an additional layer of credentials, regulation or fees. Such requirements would only add red tape, and reduce access to important advice and products, without providing additional public protection.

Consultation Questions

FP and FA Credentials

1. FSRA is seeking feedback on the above approach and whether the Proposed Rule and FP and FA baseline competency profile adequately reflect the technical knowledge, professional skills and competencies that should be included in a credentialing body's education program to establish the minimum standard for FP and FA title users.

We believe that further stakeholder input should be sought regarding some of the wording in the proposed Financial Advisor Baseline Competency Profile to ensure the terms used are consistent with those used by other regulators (such as the OSC and CISRO). Consistency will promote ease of understanding and clarity for both advisors and consumers. For example, terms such as 'confirming' and 'assessing' client risk profiles need to be used consistently.

It is worth noting that certain deficiencies flagged as concerns in the HLLQP are covered in the current educational materials and learning outcomes and tested in the 4-module exam. For example, the CISRO HLLQP curriculum teaches advisors needs-based sales practices to ensure that their client is provided with a suitable approach to their needs. This approach includes understanding and mitigating risks and understanding how market changes may impact client outcomes. Similarly, the Ethics module provides comprehensive training on advisor conduct, covering malpractice, compliance, disclosure and consumer complaints.

With respect to Know-Your-Product (KYP), we believe the current CISRO HLLQP course provides comprehensive training regarding life insurance products and services. The current HLLQP provides for technical education in investment products, life insurance products and risk management.

KYP requirements are well documented in MFDA member practices and will be further enhanced through the Client Focused Reforms, which introduced changes to requirements in various areas of NI 31-103, including, Know-Your-Client (KYC) and Know-Your-Product (KYP).



Disclosure

2. FSRA is seeking comments on whether FP and FA title users should be required to disclose to their clients the credential they hold that affords them the right to use an FP or FA title. FSRA is seeking feedback on the form that this disclosure could take and the overall consumer benefits it could achieve.

Increasing consumer confidence and protection is critical to the life insurance and investment industries. One area that could be enhanced is transparency of competencies and credentials, when a used title infers additional credentials or qualifications. We support the proposal that all financial advisors and financial advisors disclose to their clients the credentials and licenses they hold, what company(ies) they represent and what products and services they offer. Mutual funds representatives (APs) offer their clients a Relationship Disclosure Document, and therefore requiring additional disclosures from them would be duplicative. Further consideration should be given to requiring advisors to disclose their company's and their regulator or SRO's Code of Conduct. Such disclosure could further enhance transparency and help consumers understand what they can expect from their advisors.

To further boost consumer confidence and empowerment, we recommend that FSRA create a public list of approved Financial Advisors and Planners.

Exemptions

3. FSRA is seeking comments on whether the framework should allow for any exemptions. In particular, FSRA is requesting comments on the principles governing an exemption regime, the extent to which exemptions may be required, to whom they should be made available (if at all), and the benefits and drawbacks of permitting exemptions.

Primerica recommends exemptions from additional credentialing requirements for Financial Advisors who meet FSRA's Financial Advisor Baseline Competency Profile. FSRA has already acknowledged that IIROC and MFDA registrants meet the requirements, and we concur. As mentioned previously, it is important to note that certain deficiencies flagged as concerns in the HLLQP are covered in the current educational materials and learning outcomes and tested in the 4-module exam.

Generally, where FSRA sees gaps in Baseline Competencies for the use of the Financial Advisor title, these gaps should be clearly identified along with the least disruptive and least costly ways in which a financial services representative can obtain the required competencies. Such additional requirements should not be disruptive to current licensing frameworks. Additional learning requirements to qualify as a Financial Advisor, if any, can be most efficiently achieved through CE credits. Further, obtaining the Financial Advisor credential should not be mandatory for any licensees, so long as they adhere to their obtained license title.

Our advisors are not IIROC registrants, and therefore we have not offered any further views on their exemption other than stating that we support it. Below we identified the current framework for life insurance advisors and MFDA APs in the context of Consultation question 3.

The Harmonized Life License Qualification Program (LLQP) offers a professional and comprehensive licensing framework for life insurance advisors. Post licensing, they provide needs-based financial advice



in a highly regulated environment that provides consumers with protection and advisors with oversight. Our life insurance advisors pass our pre-licensing course and exam, pass four comprehensive modules at the Provincial exams and pass a screening process before being licensed by FSRA. They are provided with extensive oversight by our compliance and field audit teams and they have access to a comprehensive intranet system that provides up to date and in the moment compliance information and resources. They also adhere to our Code of Conduct that outlines their obligations to their clients. Further, Primerica will require mandatory internal training from time to time on new and emerging requirements. As an example, these can include training on AML/ATF and Privacy responsibilities. They are also subject to mandatory Continuing Education (CE) credits to keep their knowledge current and carry Errors and Omissions insurance (E&O).

With FSRA as the regulator and the contracted life insurance company as the entity providing oversight of marketplace conduct such as sales, marketing and ongoing service to clients, there is ample consumer protection and oversight in place for life insurance advisors. There is also a high degree of consumer satisfaction, a low number of consumer complaints and little to no evidence of wide-spread advisor misconduct or deficient practices.

As mentioned in our introduction, our mutual fund dealer PFSL contracts with a mutual fund sales force of MFDA Approved Persons (APs). The MFDA is formally recognized as an SRO in Alberta, British Columbia, Nova Scotia, Ontario, Saskatchewan, New Brunswick and Manitoba. The MFDA has also entered into a cooperative agreement with the Autorite des marches financiers and actively participates in the regulation of mutual fund dealers in Quebec. The MFDA member rules reflect the mutual fund sales licensing proficiency requirements determined by the provincial securities commissions under National Instrument 31-103. Each Approved Person who is a salesperson and who trades or deals in securities in respect of a Member must have one of the following qualifications:

- passed the Canadian Investment Funds Course Exam, the Canadian Securities Course Exam or the Investment Funds in Canada Course Exam; or
- earned a CFA Charter and have 12 months of relevant investment management experience in the 36-month period before applying for registration; or
- received the Canadian Investment Manager designation and have 48 months of relevant investment management experience, 12 months of which was in the 36-month period before applying for registration.

Once the individual has completed one of the above-noted proficiency requirements, he or she must obtain a sponsoring mutual fund dealer within 36 months who will submit an application for registration to the provincial securities commission. The individual remains a "candidate who cannot trade in securities" until written confirmation of registration has been received from the Commission.

Again, we believe that the rigorous licensing process and post-licensing oversight in place for Approved Persons adhere to the criteria proposed by FSRA and is synchronous with the baseline competencies in the proposed regulation for financial advisors. With MFDA as the regulator and the contracted mutual fund dealer as the entity providing oversight of marketplace conduct such as sales, marketing and ongoing

service to clients, there is again ample consumer protection and oversight in place. The Relationship Disclosure Document further balances the client-advisor relationship by ensuring that the client has full transparency of the advisor's role, credentials, responsibilities and the nature of the relationship.



Fees and Assessments

4. The FPTPA requires credentialing bodies to collect from approved credential holders any fees FSRA requires those individuals to pay, and to remit those fees to FSRA. FSRA has the authority to make rules regarding the collection, holding and remittance of such fees. FSRA is seeking

comment on this fee structure, including whether it allows for fair cost recovery, or if there are any operational challenges that credentialing bodies may experience with such a fee structure.

We support and agree with FSRA's efforts to ensure that any additional requirements, including fees do not create overlap and duplication. FSRA currently reviews the conduct of life insurance advisors and assesses fees applicable to the individual or organization. It is, therefore, critical that there is clarity as to why additional fees are necessary. Where additional fees result from oversight shifting from FSRA to another entity, corresponding FSRA fees should be appropriately reduced. It is important to recognize that life insurance companies also carry costly oversight infrastructures to oversee advisors' activities. Therefore, shifting any cost of new and additional credentialing bodies onto them would add to their compliance cost. Most importantly, the overall fees for existing and new advisors cannot increase such that they create a barrier to entry into the industry.

Conflicts of interest in assessing and collecting fees is another area that needs to be carefully evaluated. Any new fees, mandatory courses and other requirements imposed by new credentialing bodies should be subject to the same types of transparency and public consultation rules that FSRA itself has adopted.

We would like to emphasize that keeping fees low is essential in ensuring that new advisors are not deterred from entering the industry. Further, advisors and companies' regulatory costs should be fair and predictable so that personal financial advice and service remains accessible and affordable to main street Ontarians.

Consumer Education

5. FSRA is seeking input on options for consumer education campaigns to support and follow implementation. As mentioned above, FSRA is also seeking feedback from stakeholders on how government, regulators, credentialing bodies and industry can educate consumers on financial planning and financial advising services in Ontario and on FP and FA title use.

Consumer education is an important factor in maintaining confidence in financial services and empowering the public to take a more proactive role in their personal finances. We believe that consumer understanding of financial advisor and financial planner competencies is an essential component of the Titling project.

While advisors and companies will play an important role in educating their immediate clients through disclosures and personal interactions, the broader public education of consumers is more appropriately the role of FSRA and the Ministry of Finance. We would be pleased to provide additional constructive

suggestions in the coming months once the Rule is finalized. We would also be pleased to participate in any cooperative industry-regulator initiatives in this regard. As always, we are ready to contribute in any way that we can.



Conclusion

We appreciate FSRA's continued interest in reducing the regulatory burden and avoiding duplicative requirements and increased costs for the industry. These are essential principles in fostering a sustainable, competitive life insurance industry in Canada, and it is with these FSRA principles in mind that we provided our recommendations. We note that Ontario will be the first Province to regulate the title of Financial

Advisor and second to do so for financial planners. Therefore, it is important to get the balance right and start with an incremental approach that is fair, evidence-driven, and cost-effective that can ideally be used as a model for a harmonized approach across the country.

We appreciate the opportunity to provide comments on the Proposed Rule [2020-001] – *Financial Professionals Title Protection*. We are open to discussion and are willing to contribute further insights and explanations for our recommendations.

Sincerely,

Original signed by

John A. Adams, CPA, CA
Chief Executive Officer
Primerica Financial Services Canada