



Independent Financial Brokers of Canada

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Financial Services Regulatory Authority of Ontario (FSRA)
25 Sheppard Avenue West, Suite 100
Toronto, ON
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Submitted on the FSRA website

Subject: Guidance – Proposed Principles of Conduct for Insurance Intermediaries

Independent Financial Brokers of Canada (IFB) appreciates the opportunity to comment on FSRA's proposed Guidance on the Principles of Conduct for Insurance Intermediaries.

IFB is a national, not-for-profit association dedicated to representing the interests of independent, licensed financial practitioners. For over 35 years, IFB has provided a unified voice for these independent advisors to government, regulators, and industry stakeholders. In addition, IFB supports its members' professional needs, and the financial services industry more broadly, by offering accredited education, comprehensive professional liability insurance, regulatory updates and compliance tools, and support for industry best practices.

The majority of IFB's 3000+ members are mutual fund registrants and/or life insurance licensees who often own a small or medium-sized financial practice in their local community. Many are licensed in more than one provincial jurisdiction. Therefore, IFB supports regulatory expectations that are harmonized across jurisdictions whenever possible to encourage consistent consumer experiences and regulatory efficiencies, while avoiding to a greater extent the cost, duplication, and confusion arising from inconsistent approaches. The CISRO *Principles of Conduct for Insurance Intermediaries* and the CCIR/CISRO *Fair Treatment of Customers guidance* have provided notable foundations to support this consistency.

General comments

As a general comment, IFB respectfully draws attention to the number and frequency of recent consultation documents released by FSRA. For this particular consultation, stakeholders were provided only 30 days to submit comments. Such a short period can strain the resources of stakeholders who want to participate. We would like to see FSRA establish a standard consultation period, such as 60-90 days, to allow stakeholders and members of the public to fully engage in the process.

IFB has reviewed the Principles of Conduct in the context of FSRA's principles-based approach to regulation and supervision and supports FSRA's intention to incorporate a greater degree of principles-based regulation and guidance documents in its supervision of the insurance industry.



IFB has supported principles-based regulation as a more responsive and flexible approach which permits intermediaries of various size and complexity to achieve similar desired outcomes, without prescribing a specific methodology to achieve these outcomes.

Importantly, it helps regulators and industry adapt to changes in the marketplace, such as those arising from the emergence of new business models, products, and platforms, while still ensuring consumers dealing with these new entrants or with their more traditional insurance counterparts, are protected.

However, as FSRA points out in its recent consultation on principles-based regulation¹, relying exclusively on PBR will not provide it with adequate tools to enforce its regulatory responsibilities, and it intends to use principles-based regulation in combination with prescriptive requirements to address its supervisory and regulatory responsibilities. In our view, this approach, when combined with industry best practices, will result in a hybrid regulatory model that can strengthen the industry, while not stifling innovation or restricting competition. Of course, the success of this model will need to be evaluated at strategic points in time to ensure it is achieving its goals and not having an unequal effect on any particular distribution channel or business structure.

Specific comments

IFB agrees with the rationale for the Principles as set out in the Guidance. We interpret them as an alternative to FSRA developing a code of conduct, such as exists in some other jurisdictions.

The use of Guidance documents, such as the Principles of Conduct, provide insurance intermediaries with important educational resources that help them understand how FSRA will assess compliance with their regulatory responsibilities. FSRA has developed a number of such Guidance documents over the past several years, particularly as they relate to reporting obligations, the Fair Treatment of Customers guidance and more recently, the CISRO Principles of Conduct. It will be important for FSRA to monitor the impact of these individual Guidance documents over time, with a view to streamlining or consolidating them for ease of use and burden reduction, as required.

Customers – The Guidance directs intermediaries to “share and explain” the Principles to customers. We would like to better understand how this requirement will be satisfied. Customers already receive a lot of information when seeking insurance advice or investing in an insurance product and are unlikely to welcome more. Also, as we will describe in our comments below, the Principles, as drafted, have the appearance of being most relevant to L&H insurance. How will other intermediaries captured under the Scope share and explain the Principles?

Scope – The Scope, as set out, is very broad in its application. FSRA says it will apply to licensed P&C and L&H insurance sector entities and intermediaries, as well as unlicensed intermediaries, including bank/credit union employees that help distribute or service insurance products. It also includes MGAs, P&C MGAs and TPAs.

¹ FSRA. Consultation: Proposed principles-based regulation. No. GR0014APP. April 2022.



While IFB does not object to the Scope (in fact, we appreciate FSRA including such broad representation), we found it confusing that the remainder of the Guidance is primarily focused on licensed life and health intermediaries and their obligations under the legislation/regulation. As an example, the section on Industry processes and practices (page 7) refers to screening agents under O. Reg. 347/04. There is no corresponding reference for P&C, or for any of the other intermediaries included in the Scope. We wonder how this will be enforced, particularly for insurers, or others, when screening unlicensed sellers of insurance who are not subject to Reg. 347/04 or the *Insurance Act* in Ontario.

For many years, IFB has advocated for incidental sellers of insurance (ISI) to be licensed in Ontario. ISI licensing regimes exist in some other jurisdictions so insurance regulators can have oversight and improve protection for consumers who are offered, or sold, such insurance in conjunction with another product. IFB encourages FSRA to consider establishing a regulatory framework that encompasses the sale of such products and improves its direct oversight.

Supervision process – As above, the guidance in this section is focused only on the life and health sector. FSRA indicates it “may extend this risk-based approach to supervision in assessing the P&C sector in the future”. Again, we find this confusing in light of the stated Scope of the guidance. It would be helpful if FSRA could provide an explanation to help clarify FSRA’s expectations for the P&C sector.

Also, as above, there is no mention of how this section will apply to any of the other insurance intermediaries, i.e., those which are not L&H or P&C yet captured under the Scope.

Appendix B: Examples of conduct contrary to the Principles of Conduct

Consistent with our comments above, the examples provided in Appendix B are applicable to life and health insurance agents, and to some extent MGAs in the life and health sector. There are no examples applicable to the other intermediaries defined in the Scope.

To address this, IFB would like to see a more fully articulated list of examples which are applicable to each category of intermediary captured in the Scope of this Guidance. For example, what would FSRA consider to be conduct failures for insurers offering direct-to-consumer insurance? What is a failure(s) for a TPA or P&C MGA? We support the provision of examples as we think they will be helpful to intermediaries, but they should be inclusive of all the intermediaries defined in the Scope.

In the L&H examples FSRA has presented, it describes them as indicative of “failures” to adhere to the Principles of Conduct. We agree this is true for most of the examples, as they demonstrate clear contraventions of the *Insurance Act*, Reg. 674 or Reg. 347/04. However, the examples of an insurance agent acting as the Executor of the customer’s estate and an insurance agent being the beneficiary of a client’s insurance policy are not as clear. There is no doubt that these represent risky, conflict of interest situations for agents and should generally be avoided. However, there are circumstances in which they can be acceptable, such as when they relate to policies held by family members or business partners.



In our view, these situations would constitute a conduct failure if the advisor neglected to disclose the conflict in writing to the customer and obtain their consent, as would an instance where the licensee pressured the client to gain their consent or misled the insurance company on the policy application as to the role of the advisor. It is our understanding that most insurance company applications ask if the advisor will be the beneficiary, owner, or payor of the proposed policy and, if so, the insurer will require further explanation. It is also our understanding that similar questions may not be asked in relation to purchases of a segregated fund contract, and we wonder if this is why FSRA highlighted when an advisor is a beneficiary of a client's segregated fund.

We further note that there are a number of areas related to conduct that are not covered in Appendix B. One example would be expectations around safeguarding client information.

Closing thoughts

This Guidance document can have significant value for those included under the Principles, and other users, by providing a clear, plain language explanation of each Principle and FSRA's expectations of the professional behaviour and conduct associated with each Principle. We encourage FSRA to include information applicable to all intermediaries captured under the Scope and expand upon examples of potential misconduct.

FSRA may want to consider providing examples of misconduct under each Principle, rather than listing examples in a separate Appendix where users have to sort through to find the pertinent information and perhaps link back to the Principle to find its meaning. This format may become unwieldy as more information is added. IFB suggests that the B.C. Insurance Council's guidance on its [Code of Conduct](#) is an example of a comprehensive and easy to follow approach.

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

Yours truly,

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