



Canadian Life & Health
Insurance Association
Association canadienne des
compagnies d'assurances
de personnes

December 6, 2024

Huston Loke, Executive Vice President of Market Conduct
Financial Services Regulatory Authority of Ontario (FSRA)
25 Sheppard Avenue West, Suite 100, Toronto, ON M2N 6S6

Re: FSRA's Proposed 2025-26 Statement of Priorities and Budget

Dear Huston,

Thank you for the opportunity to provide feedback on the Financial Services Regulatory Authority's (FSRA) *Proposed 2025-26 Statement of Priorities and Budget*. FSRA's cross-sectoral focus on improving customer-focused outcomes, enhancing licensing efficiency effectiveness and modernizing systems and process is well aligned with the industry's goals. Overall, we support FSRA's planned priorities for the life and health insurance industry.

Cross-Sectoral Priorities

Strengthen stakeholder relations and improve consumer-focused outcomes

Improving consumer-focused outcomes is central to life and health insurers' business. A regulatory environment that supports and enables innovation is key to achieving this. We look forward to participating in future innovation-focused stakeholder engagements.

Enhance licensing efficiency and effectiveness

We agree that enhancing licensing efficiency and effectiveness is crucial to ensuring suitable applicants are able to obtain licenses. We look forward to the implementation of FSRA's new licensing system and working collaboratively with FSRA on any proposed changes that would benefit from industry feedback. Specifically, we are interested in learning more about the timing of this launch.

Modernize systems and processes

We appreciate FSRA's continued effort to modernize processes and systems in order to improve operational efficiency and improve cyber security and operational resiliency.

Life and Health Insurance Priorities

Strengthening the market conduct regulation and supervision of intermediaries, including Managing General Agents (MGAs)

CLHIA members welcomed the Government of Ontario's legislative amendments to the *Insurance Act* to introduce a new category of licenses for insurance intermediaries, including MGAs. Life and health insurers agree consumers should have equal protection through efficient and effective supervision, whether they purchase insurance from an agent who works directly with an insurer or from independent agents contracted with MGAs.

We look forward to working collaboratively with FSRA as it develops a Rule that provides further details on the roles and responsibilities of insurers and MGAs.

Strengthen protection of consumers who invest in segregated fund contracts

Segregated funds are important products for consumers, offering benefits and features that are unique to insurance products compared to securities investments. We have been working with regulators, including FSRA, on segregated fund initiatives such as total cost reporting (TCR) for several years. We look forward to continuing to do so as FSRA finalizes the framework for TCR in Ontario. It remains important to the industry that the final framework can accommodate scenarios where there are limitations on data and reporting performance information for the contract (e.g. legacy contracts and transfer events).

We acknowledge that FSRA's goal is to ensure customers understand the products they are sold, receive suitable advice and make suitable choices in relation to segregated fund contracts and we support this outcome. To achieve this, it will be crucial that the industry has a clear understanding of the regulatory requirements relating to the design, distribution and administration of segregated fund contracts. The reformed requirements also need to be applied to the insurance industry in a way that makes sense having regard to insurance distribution structures. FSRA's new MGA regulatory framework will impact the implementation of the enhanced standards for the distribution of segregated funds.

Pensions

We are pleased to note that Ontario Finance has recently issued a consultation document to explore the option to offer Variable Life Benefits (VLBs) that would enable members of PRPPs and DC plans to offer VLBs as a decumulation solution through a VPLA Fund based on the federal *Income Tax Act* and regulations. It is important that this decumulation solution be available to a broad group of Canadians in retirement with accumulations within pension plans (DC or PRPP) but also RRSPs/RRIFs/LIFs, etc., in the absence of a "standalone" VPLA or VLB. CLHIA looks forward to working with Ontario Finance and FRSA to achieve a more inclusive and successful outcome.

Ensure the effectiveness of the title protection framework for Financial Planners/ Financial Advisors

Life insurers support enhanced confidence and professionalism in the financial sector by ensuring that individuals using the Financial Planner and Financial Advisor titles have appropriate qualifications.

We would note that one unintended consequence of Ontario's financial titling framework is that agents who are dually licensed in Ontario and Quebec and who do not have the credential required to use the Financial Advisor title in Ontario have to hold themselves out differently in the two provinces. Quebec requires that life insurance agents identify themselves as "Financial Security Advisor" while Ontario restricts the use of "Financial _____ Advisor". This requires agents to have two titles on their business cards or e-mail signatures (four titles when they provide service in English and French). This adds unnecessary confusion and complexity for consumers.

We look forward to FSRA concluding the framework evaluation of the Financial Professionals Title Protection Framework and working collaboratively if there are any future actions or opportunities for harmonization, such as the example provided above.

Conclusion

Thank you again for the opportunity to share the industry's feedback on FSRA's Proposed Priorities and Budget for 2024-25. We are looking forward to continuing to work together as FSRA focuses on its priorities. We would be pleased to discuss any questions or concerns you may have.

Sincerely,



Lyne Duhaime,
President Quebec Affairs and Senior Vice-President, Market Conduct Policy and
Regulation

About the CLHIA

The Canadian Life and Health Insurance Association (CLHIA) is a voluntary association whose member companies account for 99 per cent the life and health insurance business in Canada. These insurers are significant contributors to Ontario and its economy. In 2023 they provided financial security to 11.1 million Ontarians and make nearly \$57 billion in benefit payments (of which 90 per cent goes to living policyholders as annuity, disability, supplementary health or other benefits). In addition, life and health insurers contributed \$3.7 billion in taxes to Ontario in 2023. A large majority of life and health insurance providers are licensed to operate in Ontario, with sixty-two headquartered in the province.

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