

April 30, 2025

Financial Service Regulatory Authority (FSRA)  
25 Sheppard Ave West, Suite 100  
Toronto, ON M2N 6S9

**Subject: Consultation on proposed Rule 2025-001  
Life and Health Insurance Managing General Agents**

Thank you for the opportunity to provide feedback to the "Consultation on Proposed Rule 2025-001 – Life and Health Insurance Managing General Agents (MGAs)".

We commend the collaborative approach adopted by FSRA to strengthen regulatory oversight of the MGA distribution channel to better protect consumers. The most effective way to safeguard consumers is through comprehensive supervision of life and health insurance distribution, which relies on well-defined roles, responsibilities, and the corresponding accountability.

To support FSRA's approach, the current state of the proposed Rule requires adjustments to more clearly define its applicability and better align with the functions of Insurers, MGAs, Agents, Corporate Agencies and Partnerships. In particular, the Rule should remove overlap with existing licensing to alleviate unnecessary regulatory burden on insurers.

We are confident that FSRA, by addressing the following concerns associated with the proposed Rule, will develop a regulatory framework for MGA distribution that furthers the fair treatment of customers.

**Distinguish the Role of MGAs from Corporate Agencies, Partnerships, and Agents**

Many entities may unintentionally be captured in the MGA licensing regime because they engage in activities defined in section 407.2 of the *Insurance Act* despite not acting as an MGA. Without clear distinction of roles, and specific exclusions within the Rule, there is a risk of duplicative licensing, and subsequent regulatory burden that does not further the fair treatment of customers.

**An MGA arranges for the sale of life and health insurance products by contracting with a network of other licensed intermediaries, who then sell life and health insurance products directly to customers.**

These licensed intermediaries can be individual Agent licensees who contract directly with the MGA, as independent contractors, or they can be corporations or partnerships that also hold Agent licenses. These corporations or partnerships are often referred to as agencies. They are how one or more Agents structure their businesses. Where a corporate/partnership agency is involved, it is the corporate/partnership agency that enters into a distribution agreement with the MGA. Via that distribution agreement, the corporate/partnership agency would employ, or otherwise contract, with Agents who work directly with customers to provide advice, service insurance products, and solicit sales.

Unlike an MGA, a corporate/partnership agency's role is connected to the activities of the Agents engaging with customers. Herein lies the main difference.

**Corporate/partnership agencies should not be classified as MGAs because their business is arranging for the distribution of life and health insurance products directly to customers. In contrast, an MGA's distribution role is to arrange distribution by building a sales network of intermediaries.**

The distinction between MGAs and sub-MGAs, and corporate/partnership agencies, is that agencies have direct downstream interactions with the public. MGAs have direct downstream interactions with sub-MGAs, corporate/partnership agencies, and individual Agent licensees, acting as independent contractors, which do not generally hold out to the public as distributing on behalf of the MGA.

While corporate/partnership agencies may participate in activities outlined in section 407.2 of the *Insurance Act* (such as recruiting agents, providing training to such agents, entering into written agreements with such agents etc.), they are already subject to the robust agent licensing regime that governs their customer facing role in life and health insurance distribution, and are properly classified as Agents, not MGAs. However, according to the proposed Rule, they would need to obtain an MGA license, and meet all MGA licensee obligations, in addition to holding an Agent's license. These corporate/partnership agencies focused on direct customer interactions through individual Agents should not face the same compliance requirements as an MGA, as their functions differ.

**To reduce unnecessary regulatory burden, we request the Rule's scope be limited so that MGA licensing requirements apply only to MGAs and sub-MGAs, and not to corporate/partnership agencies that are solely acting as insurance agents.** This would remove any overlap with existing agency licensing requirements for intermediaries who arrange for distribution directly with customers.

The above is particularly true for the exclusive, captive, or career distribution model. In this distribution model, Agents typically operate under established Corporate Agencies. Insurers within this channel engage directly with these Corporate Agencies, and their Agents and have compliance systems that provide sufficient oversight.

### **Establish Direct Supervision Requirements for MGAs**

To achieve FSRA's goal of strengthening regulatory oversight of the MGA distribution channel, there must be requirements for MGAs to have direct supervision of their distribution networks. Requirements should include procedures and systems for MGAs to confirm the intermediaries they recommend to insurers are qualified to interact directly with customers, use needs-based sales practices, and comply with regulations for fair treatment of customers.

While we agree that insurers should verify the systems that MGAs put in place to supervise their distribution networks, any supervision requirements on an insurer should not duplicate the oversight already conducted by MGAs in managing and developing their intermediary networks. MGAs play a crucial role in monitoring intermediaries and should have a complete understanding of all interactions between their network of intermediaries and their clients.

**Where customers hold products from multiple insurers, or where there is movement between different insurers' products, MGAs have a broader sightline than each individual insurer whose**

**oversight is restricted to their own products.** An MGA can oversee sales activity involving more than one insurer, making MGAs well positioned to engage in direct supervision.

### **Distinguish Travel Distribution**

FSRA's proposed Rule primarily addresses advisory relationships. It does not take into account MGAs involved in the distribution of life and health insurance products without downstream licensed agents (whether individual or corporate/partnership). **Therefore, we recommend Travel oriented MGAs be excluded from the scope of the Rule.**

### **Exclude Insurers from the Scope of the Rule**

There are certain circumstances where certain actions of an insurer are caught by the definition of an MGA found within section 407.2. For example, an insurer may provide distribution management services to a corporate affiliate life insurer with respect to their shared distribution channel. Here the insurer providing the services should be exempt from the requirements to obtain an MGA license, given that the insurer is already licensed as an insurer, and as such is already subject to a robust regulatory regime.

### **Clarify Roles of Prospective Agents or Trainees**

As currently written, the proposed Rule frames prospective agents as individuals that may be seeking to obtain their Agent license. Moreover, an insurer may be associated with prospective agents through an MGA. An MGA's compliance system should confirm that prospective agents are not carrying out any activities that require a license until they are actually licensed (and cease to be prospective agents). The introduction of prospective agents creates a risk of "fronting", which is a prohibited sales practice where an unlicensed person provides advice to the public, then binds the product through a licensed Agent, and then receives compensation from the licensed Agent.

It is unreasonable that an insurer's compliance system would be expected to have oversight over a prospective agent. The responsibility of the insurer should stop at ensuring that the MGA is not engaging prospective agents to perform tasks that require an Agent's license.

**Prospective Agents should not be providing any service to a customer or any other activities that require a license.** We recommend limiting the definition of prospective agents to those seeking the sponsorship required when they have less than two years of experience as a life Agent. As applicable, references to unlicensed prospective agents should be removed from the Rule.

### **Clarify Responsibilities through Association, Authorization, and Contracting**

While the proposed Rule distinguishes between association, authorization, and contracting, enhanced clarification is required to indicate different types of relationships and their associated responsibilities. Association can place certain duties on an insurer or MGA, but it is not the same as authorization.

The proposed Rule suggests that direct authorization is not always necessary for association, which poses risks to consumers caused by potential uncertainty over screening and monitoring. There should be a clear chain of accountability for oversight in a distribution channel. It must be clear who is responsible and who authorizes an intermediary to sell a product, ensuring they have been properly screened and are monitored moving forward.

Currently the Rule suggests that distribution of an insurer's products by an Agent through an MGA is acceptable provided the MGA is associated with that insurer. Insurers are required to report their formal distribution agreements with MGAs and sub-MGAs to FSRA but allowing sales through association could unintentionally create loopholes in reporting and promote distribution without necessary contractual safeguards.

#### **Only those with direct authorization should sell an insurer's products.**

Currently the Rule suggests that distribution through an MGA is acceptable provided there is an association. Insurers are required to report their formal distribution agreements with MGAs and sub-MGAs to FSRA, but this could unintentionally create loopholes in reporting and promote distribution without necessary contractual safeguards.

### **Reporting Obligations for Insurers**

Section 17(2) of the proposed Rule creates an obligation in which insurers, upon request of an MGA, provide the MGA with evidence that Agents associated with the insurer have complied with all applicable insurance law. **This is a reversal of the chain of oversight and should be removed from the Rule.**

Insurers oversee MGAs in product distribution, and MGAs then oversee the intermediaries they recommend for distribution of the insurer's product, following the distribution chain. It is unclear what information insurers should share about Agents already vetted by the MGA.

A reciprocal reporting requirement could have unintended consequences. For example, as information sharing increases, so does the risk of a breach of confidential or competitive information. Instead, MGAs should be required to notify insurers about any market conduct problems with Agents so that corrective actions can be taken to protect customers.

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Thank you again for the opportunity to provide feedback to FSRA's "Consultation on Proposed Rule 2025-001 – Life and Health Insurance Managing General Agents (MGAs)". If you have any questions or require clarification, please contact our Associate Vice President of Government Relations, Maya Milardovic at [maya\\_milardovic@cooperators.ca](mailto:maya_milardovic@cooperators.ca).



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