



April 30, 2025

Financial Service Regulatory Authority of Ontario
25 Sheppard Ave West, Suite 100
Toronto, ON M2N 6S9

Submitted via the FSRA website

Re: Consultation on proposed Rule 2025-001 Life & Health Insurance – Insurance Managing General Agents

Experior Financial Group Inc. (“Experior”) appreciates the opportunity to provide feedback to the Financial Services Regulatory Authority of Ontario (“FSRA”) on the proposed *Rule 2025-001 Life & Health Insurance – Insurance Managing General Agents* (the “Rule”) under the *Insurance Act*, R.S.O. 1990, c. I.8.

Experior was established in 2014, and is headquartered in Guelph, Ontario. Experior’s team of over 3200 provincially licensed independent advisors, over 1900 of whom are licensed in Ontario, are available across Canada to assist consumers with their insurance and investment needs. We facilitate distribution of life insurance products from numerous life insurance carriers and serve a broad segment of the Canadian public, including otherwise underserved populations.

Experior has taken the best of the captive companies, the best of the broker world, and the best of agent-driven recruitment to create a genuinely innovative Tribrid MGA that works for both our clients and for our agents. Experior’s career-focused onboarding, training, and support model makes it one of the few MGAs in Canada successfully recruiting a younger generation into the life insurance industry as advisors. Due to the aging demographics of insurance advisors in Ontario, we believe a successful recruiting model is very important to the industry to help develop the next generation of advisors, and generations to come. We are proud of our contribution to the expansion of independent distribution channels and the significant role that we play in delivering insurance and financial services across Canada.

Experior agrees that creating a clear regulatory framework for MGA licensing and oversight is of fundamental importance to protecting consumers and maintaining consistent industry standards. We appreciate the opportunity to contribute to the development of these new rules, and we are committed to actively engaging in future industry consultations. While we therefore agree with what the Rule seeks to achieve overall, we have significant concerns with the proposed Rule.

1. Balancing Proportional but Common Requirements: We are concerned that the Rule may not appropriately balance flexibility for L&H MGAs and sub-MGAs. MGAs that use certain recruitment models appear to face unique, disproportionate issues.

Exterior is concerned about how the new licensing, monitoring, and compliance requirements may apply to MGAs that use an agent-driven recruitment model. The Rule appears to effectively make such business models untenable in Ontario as they exist today, as the Rule restricts individual agents from engaging in recruitment or training activities, or any other MGA licensed activities, if they aren't "employed by" or a partner in, a licensed MGA, and to require a proliferation of licenses and compliance requirements for corporate agents who engage in the same activities on behalf of an MGA.

An individual agent would appear to contravene the Rule if that agent is contracted solely with one MGA and performs MGA licensable activities per s. 407.2 of the Insurance Act, such as recruiting agents and providing training and oversight on behalf of that MGA. Under s. 3(2) of the Rule, only individuals "employed by" a licensed MGA are able to perform MGA licensed activities. Would an agent "under contract with" an MGA be considered to be "employed by" the MGA for the purpose of 3(2)? If not, this restriction disproportionately impacts MGAs with agent-driven recruitment models. An individual "under contract" with an MGA is as capable of performing these delegated functions under the MGA's supervision as an individual "employed by" the MGA. Yet, the license exemption at 3(2) seems to favour business models where recruiting, training, and monitoring functions are delegated to individuals (including agents) "employed by" the MGA, and does not include individual agents "under contract with" the MGA.

Individual life insurance agents under MGAs often do business through a corporation, but do so under the oversight of an MGA and do not operate as distinct "sub-MGAs". However, a corporation licensed as an insurance agent and contracted solely with a single MGA, that performs MGA licensable activities per s. 407.2 of the Insurance Act, such as recruiting agents and providing training and oversight on behalf of the MGA, would be classified as a "sub-MGA" under the Rule. Would every such corporate agent therefore be required to obtain an MGA license, appoint a qualified compliance representative, establish and maintain its own separate compliance system, and be subject to separate monitoring and reporting requirements? If so, the Rule could impose enormous regulatory burdens on hundreds of corporate agents under a single MGA.

A more proportionate approach would be to include an expanded exception allowing licensed insurance agents (both individuals and corporate agents) to perform delegated MGA licensed activities without obtaining an MGA license, if they are under an exclusive contract with a single MGA that holds the relevant license and/or a partnership that holds such a license.

2. Clarity of Rule: While Exterior recognizes the need for regulatory discretion in determining suitability, we have concerns about the broad discretion the Rule provides the Chief Executive Officer to determine MGA suitability. This broad discretion creates uncertainty in how suitability will be determined, even where all licensing, compliance, and other regulatory requirements have been met by an MGA in good faith. Given the severe financial consequences to employees, agents, and even clients that could potentially result from an MGA losing, or being unable to obtain, its MGA license, we request greater clarity on this in the Rule.

The "associations" provisions in the Rule raise concerns as limits on the scope of associations remains unclear, and it places a significant burden on Insurers, MGAs and sub-MGAs to monitor indirect parties of which they may have limited or no visibility or control over. This creates uncertainty, especially for small MGAs or those with complex networks, and concerns that these MGAs may be unfairly burdened or penalized for issues outside their direct control or knowledge. To address these concerns, the Rule should better clarify the limits of the scope of "associations" and provide more specific guidelines for

monitoring and third-party compliance, as well as clarity on how an MGA's "associations" may be assessed by the Chief Executive Officer when determining MGA license suitability.

3. Insurer and MGA compliance systems: Experior strongly supports the requirement for MGAs to establish compliance systems reasonably designed to achieve the outcomes listed in the Rule. We appreciate the additional detail provided in the proposed Rule, though we are concerned that the Rule may not appropriately balance compliance systems requirements between insurers and MGAs, particularly in the context of MGAs with agent-driven recruitment models. Additionally, we have concerns about overlapping responsibilities for monitoring and compliance, including for instance reporting requirements under s.9(1) where MGAs may not have visibility into whether an insurer has already reported a matter to the Chief Executive Officer (and vice versa). As a result, it may be unclear in some circumstances whether an MGA's reporting obligations have been fulfilled, increasing the risk of either duplicate reporting or inadvertent non-compliance.

4. Standards of Practice: Experior supports clear and consistent standards of practice, created in open consultation with industry stakeholders, and that will help create a level playing field, while supporting responsibly managed, innovative MGA business models that can bring value to both consumers and agents.

5. Transparency About MGAs: We generally support greater transparency to customers concerning the important roles that agents, MGAs, and insurers each play in insurance distribution in Ontario, as long as such transparency provides a level playing field for smaller MGAs, MGAs with innovative business models, or independent MGAs that are not insurer-owned. In response to sub-questions a. and b., we note that:

a. A consumer who purchases an insurance product from an advisor who is contracted with an MGA is likely already aware that an MGA is involved in distribution.

b. We have no objection to clarifying to customers generally an MGA's role as an insurance distribution intermediary for products placed by independent agents, although we note that MGAs have no direct role in relation to any specific product. However, any greater transparency concerning MGAs should at the same time emphasize the critical roles of the agent and the insurer, who each have direct responsibilities to the customer to ensure product suitability and fair treatment of customers.

6. Compliance Challenges: Our response to each sub-question is as follows:

a. As noted above, the proposed Rule presents a practical compliance challenge for MGAs operating under agent-driven recruitment models, so as to make these models potentially untenable in Ontario due to the exclusion of individuals "under contract" with an MGA from performing delegated MGA licensed activities such as recruiting and training prospective agents, and because of the proliferation of redundant compliance systems and licensing and reporting requirements for incorporated agents who may inadvertently be classified as "sub-MGAs".

b. We anticipate there may be substantial uncertainty generally among insurers, MGAs, sub-MGAs, agents and prospective agents under the proposed Rule, as to their respective obligations, especially in multi-contract scenarios. Areas of confusion and redundant effort may

include determining the scope of “associated” parties, and overlapping compliance systems and agent monitoring and reporting requirements.

c. We suggests that the proposed Rule should adopt a more proportionate oversight framework for MGAs that use agent-driven recruitment models, and provide greater clarity on insurer and MGA agent monitoring and reporting requirements.

7. Insurer Screening: Experior supports robust agent screening by insurers and looks forward reviewing proposed changes to the Rule to account for any potential for duplicate screening.

8. Transition Period: given the challenges that some MGAs may face, especially those with agent-driven recruitment models, we suggest that at a minimum 18 months would be a reasonable transition period.

Experior thanks FSRA for the opportunity to comment on the proposed Rule, and would be pleased to clarify or further elaborate on our comments and concerns. We look forward to further involvement in this process.

Sincerely,

A handwritten signature in blue ink, reading "Sheldon Smollan". The signature is fluid and cursive, with the first name "Sheldon" and last name "Smollan" clearly distinguishable.

Shelden Smollan
Chief Experience Officer
Experior Financial Group Inc.