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March 31st, 2025

Financial Services Regulatory Authority of Ontario
25 Sheppard Avenue West, Suite 100
Toronto, ON M2N 6S6

RE: Consultation on Proposed Rule 2025-001

Primerica Financial Services (Canada) Ltd. (Primerica, we or our) is pleased to respond to the Financial Services Regulatory Authority of Ontario's (FSRA) Consultation on Proposed Rule 2025-001 (the Rule), regarding life and health insurance Managing General Agents (MGAs). We appreciate FSRA's efforts to address and clarify new regulatory requirements for MGAs. Primerica is happy to contribute to the consultation. Our comments on the proposed rule are outlined below.

About Primerica

Primerica Financial Services (Canada) Ltd. is a leading distributor of basic financial savings and protection products to middle-income households throughout Canada, serving the Canadian public since 1986. Part of our Canadian corporate group includes our life insurance company, Primerica Life Insurance Company of Canada (PLICC) and our mutual fund dealer, PFSL Investments Canada Ltd. PLICC is represented by more than 6,000 licensed life insurance agents across the province, and approximately 4,000 of our life insurance agents are dually registered as mutual fund representatives.

Our products and personal advice help middle-income Canadians establish long-term financial goals. Our representatives guide their clients at life's critical points, helping them avoid common pitfalls to gaining financial independence: higher cost and lower face value insurance that does not protect adequately, starting to save too late, not saving enough, and neglecting tax-advantaged savings opportunities, to name a few. Our representatives take a holistic approach with their clients, and through our digital FNA (Financial Needs Analysis), clients can view a snapshot of their financial situation and a road map to achieve their goals. Our goal is to empower Canadians to make informed financial choices through education and help them set and achieve their financial goals.

We pride ourselves on our high customer satisfaction and retention, our collaboration with regulators as we believe in strong consumer protection, and our compliance record. Primerica's people-first philosophy and our commitment to doing what's right for our clients is evident in the millions of families who trust Primerica for their family's financial needs across North America.

One of the distinguishing features of our business model is that we continue to distribute our products through an exclusive sales force of representatives, which allows us to put supervision, monitoring, controls, and restrictions in place based on trends and risks we identify. We offer our comments through this lens, drawing on nearly forty years of experience successfully serving middle-income Canadian families with this model.

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General Comments

Primerica supports increased clarity and guidance on MGA-Insurer-agent relationships. We believe that there is a need for stronger direction and a formal regulatory framework for Managing General Agents (MGAs), as they have been defined by FSRA (agencies that are most often contracted with multiple insurers). This regulatory framework is essential to address an inadvertent oversight gap that was created by business model changes over the last decades.

Unlike much of the life and health insurance sector today, Primerica operates under the traditional exclusive sales force model where each of our representatives is exclusively contracted with us. Our model supports direct accountability for agent conduct and consumer outcomes.

The MGA model has become prevalent in the market and requires its own regulatory guidelines to ensure proper consumer protection. The proposed rule establishes comprehensive requirements for both insurers and MGAs to ensure appropriate oversight and compliance systems are in place, consistent with fair treatment of consumers principles.

While we support the initiative overall, we caution that the new framework should not inadvertently create duplicative responsibilities and requirements, thus leading to inefficiencies, increased costs and reduced access to essential life insurance products for modest income families. We applaud FSRA's desire to protect consumers by closing oversight gaps in the marketplace. However, we feel the proposed Rule requires greater clarity to accomplish FSRA's stated goals. We are especially concerned that the current wording may inadvertently result in insurers who distribute products through their own exclusive sales force being subsumed under the new rule, without any meaningful improvements in distribution oversight applicable to this channel.

Exclusive Sales force Model

We strongly recommend that the proposed Rule include an express exemption for insurers that distribute their insurance products through an exclusive sales force, a model also referred to as a captive agent model. In this structure, life insurance agents are contracted directly with a single life insurer and operate under that insurer's direct supervision, compliance oversight, and product governance framework.

Unlike distribution through MGAs, an exclusive sales force model enables the insurer to exercise full oversight and accountability over the conduct of its agents. While such agents may offer select products not manufactured by the insurer, these products are vetted, approved, and distributed through a centralized system governed by the contracting insurer's own standards and obligations. There is no role for a third-party MGA or sub-MGA in supervising or facilitating distribution, training, or compliance.

This model directly aligns with FSRA's stated objective: to close regulatory gaps in situations where distribution is outsourced to entities operating with limited regulatory oversight. In contrast, exclusive sales force models already meet FSRA's regulatory outcomes because the insurer retains full compliance responsibility, manages all sales conduct, and must embed Fair Treatment of Customer (FTC) principles at the core of its distribution approach.

As currently drafted, however, the Rule risks inadvertently capturing insurers that employ exclusive agent models under the MGA licensing regime, particularly if those insurers authorize the sale of other insurers' products. We understand this is an unintended consequence and urge FSRA to

clarify that such insurers are not required to register as MGAs where there is no delegation of distribution oversight to a third party.

FSRA's initial assessment of Insurer-MGA conduct in 2023 explicitly omitted a review of exclusive sales force models in this context, since they were appropriately viewed as not having the same oversight gaps. A regulatory environment that enables different models fosters a dynamic and robust sector, benefiting the economy, consumers, and the industry. We believe that it was not FSRA's intention to capture exclusive salesforce models in this Rule. We believe the Rule should clearly exclude such models, which already meet FSRA's oversight objectives.

Request for Express Exemption for Integrated Distribution Models

We recommend that the final Rule include an express exemption for life insurance companies that distribute their products exclusively through a directly contracted, licensed sales force, rather than through third-party Managing General Agents (MGAs). These integrated distribution models are already subject to robust, multi-layered oversight under both federal and provincial regulatory frameworks.

Unlike MGAs, life insurers are subject to comprehensive prudential, governance, and conduct oversight, including but not limited to:

- **Capital and Solvency Requirements (OSFI):** Life insurers must meet minimum continuing capital and surplus requirements (LICAT), maintain adequate reserves, and undergo regular stress testing.
- **Corporate Governance and Board Oversight (OSFI):** Insurers must have documented governance frameworks, including board-approved distribution oversight, internal audit, and risk management structures.
- **Third-Party Risk Management (OSFI Guideline B-10):** Life insurers must assess, vet, and monitor all outsourced functions, including distribution activities, through formal third-party risk frameworks.
- **Fair Treatment of Customers (FTC) (FSRA & OSFI):** Insurers must adopt policies and procedures to ensure fair, transparent, and client-centric practices across all stages of the product lifecycle.
- **Training, Licensing, and Supervision:** Life insurers are directly accountable for ensuring that their contracted agents are properly licensed, adequately trained, and fully supervised under their compliance systems.
- **Market Conduct Oversight (FSRA):** Insurers must comply with FSRA's conduct rules, including complaint handling, policyholder disclosures, and proactive reporting on market conduct issues.
- **Public Reporting Requirements:** Insurers must report aggregate complaint data publicly and file conduct reports with both OSFI and FSRA, enabling transparency and regulatory monitoring. Additionally, federally regulated life insurers must participate in the Ombudsman for Banking Services and Investments (OBSI) complaint resolution process, ensuring consumers have access to an impartial and independent recourse mechanism.

- **Business Continuity and Compliance Systems:** Life insurers must maintain enterprise-wide compliance systems and continuity plans that extend to their distribution channels.

In contrast, MGAs have historically operated outside of this level of regulatory scrutiny, particularly with respect to agent oversight and consumer protection. The proposed Rule rightly seeks to address this gap. However, applying the MGA licensing and compliance requirements to life insurers would result in duplicative regulation, inconsistent oversight, and administrative inefficiency. This outcome would not enhance consumer protection, as these insurers are already fully accountable for their distribution practices.

Such a clarification would respect FSRA's objective of closing oversight gaps without creating new redundancies, and would support a proportional, risk-based regulatory framework for all distribution models in Ontario.

For these reasons, we recommend the addition of language explicitly stating that insurers contracting exclusive or captive agent forces are not subject to the MGA licensing and compliance obligations under this Rule.

Proposed Exemption Clause for Inclusion in the Final Rule

To preserve regulatory coherence and avoid unintended consequences, we strongly recommend adding the following exemption clause to the Rule:

Section 2 – Application

2 (2) Notwithstanding subsection 2(1), this Rule does not apply to a life insurance company with respect to any distribution activities that are conducted exclusively through agents who are:

- (i) contracted directly with the insurer and not with any managing general agent or sub-managing general agent; and
- (ii) subject to the insurer's direct training, supervision, and compliance oversight.

Clarifying Roles Across the Life Insurance Distribution Chain

We appreciate the intent of the Rule is to enhance regulatory clarity across the life insurance distribution chain. However, as currently drafted, the Rule does not go far enough in clearly distinguishing the respective responsibilities of insurers, MGAs, sub-MGAs, and agents, particularly in complex distribution environments.

While the Rule acknowledges associations between these entities in s.1(3) to (5), it often relies on a broad attribution of responsibilities through chains of authorization, which may obscure accountability. For example, life insurers that both manufacture and distribute their products through an exclusive salesforce are structurally distinct from those that distribute via third-party MGAs. This distinction should be explicitly recognized. Integrated distribution models entail different oversight and training requirements than those reliant on delegated arrangements.

We also note inconsistencies in terminology, specifically, the use of "intermediary" and "agent." For regulatory precision and stakeholder clarity, we recommend using:

- "Agent" for licensed individuals.

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- “Intermediary” for licensed business entities such as MGAs or sub-MGAs.

The Rule sets out layered responsibilities under sections 8 and 9 for insurers and MGAs, respectively. However, there remains a risk of regulatory ambiguity.

To prevent potential regulatory gaps, we recommend that the Rule:

1. Expressly address insurers that employ an exclusive salesforce, clarifying that they retain full oversight responsibilities under s.8 and s.14.
2. Clearly define the boundaries of delegation, specifying what oversight functions may or may not be transferred to MGAs, especially under s.10 (Shared Responsibility for Outcomes).
3. Ensure consistency in language when referring to different actors in the distribution chain, to avoid conflating individual and entity responsibilities.

Finally, we reiterate that clear and precise delineation of roles across product design, training, sales supervision, and post-sale servicing is critical. Doing so will help minimize duplicative compliance burdens, align accountability with actual business practices, and—most importantly—enhance consumer protection by ensuring that appropriate oversight is maintained at every stage of the distribution process.

Conclusion

We appreciate the opportunity to provide our comments to FSRA on the consultation regarding proposed Rule 2025-001 – Life and Health Insurance Managing General Agents. We commend FSRA for its initiative to establish a strong and effective regulatory framework that considers the full distribution network involved in selling insurance products. However, we respectfully ask that FSRA fine-tune the proposed Rule to clarify its scope of application, specifically, to expressly exempt life insurers operating under an exclusive agent model. Doing so will help avoid regulatory duplication and ensure the Rule remains targeted in scope, preventing unintended consequences that could increase red tape, drive up costs, and reduce access to essential insurance products.

Sincerely,

[Original Signed By]

John A. Adams CPA, CA
Chief Executive Officer
Primerica Life Insurance Company of Canada