

April 30, 2025

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

RE: Consultation on proposed Rule 2025-001 – Life and Health Insurance Managing General Agents

Dear Sir/Madam,

We want to thank you for the opportunity to provide input into the consultation on the proposed *Rule 2025-001 – Life and Health Insurance Managing General Agents* (the “Proposed Rule”).

Canada Life is a leading insurance, wealth management and benefits provider focused on improving the financial, physical and mental well-being of Canadians. For more than 175 years, individuals, families and business owners across Canada have trusted us to provide sound guidance and deliver on the promises we’ve made. In 2023, we employed almost 13,500 Canadians, paying \$3.6 billion in salaries, commissions and taxes. In the same year, \$10.9 billion in benefits were paid to our customers. In addition to being one of Canada’s largest Life and Health (L&H) insurers, Canada Life counts among its subsidiaries, Investment Planning Counsel Inc., Quadrus Investment Services Ltd., Value Partners Group Inc., Canada Life Securities Ltd. and Canada Life Investment Management Ltd. making Canada Life one of the largest non-bank mutual fund and securities dealers in the country.

We appreciate the opportunity to engage in meaningful dialogue on this important initiative. We believe the Proposed Rule does not adequately respond to the needs of Ontario’s Managing General Agents (MGA) channel and its current evolution. Given the critical role independent MGAs play in the distribution of insurance, placing the onus solely on insurers to fulfil oversight obligations is no longer appropriate. We believe a dedicated licencing class for L&H MGAs underscores their unique position in today’s independent distribution chain and that, as a result, the Proposed Rule should provide a framework where MGAs have a primary role in a shared oversight responsibility with insurers and are directly supervised by FSRA. Without this, we do not believe the licencing of MGAs will achieve FSRA’s desired outcome of consistent treatment across distribution channels, fair treatment of customers and enhanced compliance.

Canada Life is a member of the Canadian Life and Health Insurance Association (CLHIA). We have participated in and contributed to the CLHIA’s consideration of the Proposed Rule. We are in agreement with the views expressed in the CLHIA’s submission and provide our own submission as a supplement to the CLHIA’s and to provide further information to assist FSRA in its consideration of this matter.

Scope

One of the most fundamental aspects that must be correct in order for the Proposed Rule to be effective is that it applies to the appropriate entities.

We believe that the Proposed Rule should apply to what we consider, “traditional MGAs”. From our point of view, a number of characteristics are essential in defining a “traditional MGA”:

- An MGA has contracts in two directions, up to an insurer to access products and down to agents (be they individual, corporate or partnership) who are licenced to sell products to consumers.
- An MGA has a contract with more than one insurer.
- The insurer-MGA contract must allow agents to access products through the MGA (i.e. a contract to provide services to an insurer does not make an entity an MGA).
- An MGA is primarily not client-facing and likely has no contact with end customers.
- An MGA does not manufacture or underwrite insurance products

A number of further conclusions can be derived from these principles:

1. **Sub-MGAs:** Are not included in the description of an MGA above as they do not have a contract with an insurer to access products.
2. **National Accounts:** Should be included in the scope of an MGA and covered under the Proposed Rule. The contracts insurers enter with National Accounts are slightly different than those entered with non-National Account MGAs, but from a consumer point of view a National Account is equivalent to an MGA. National Accounts enter contracts with multiple insurers to access insurance products that agents then sell to consumers. From a consumer protection perspective, the fact the agent selling the product may be an employee of a financial institution or firm as opposed to an independent contractor is not material. While we typically think of National Accounts as being major banks subject to regulatory oversight, there is in fact a continuum of entities falling under the heading of National Account that includes both banks and smaller investment firms.
3. **Individual vs. Group insurance:** FSRA’s efforts at better regulating and improving consumer outcomes in the MGA distribution channel should be focused on individual insurance customers. Group insurance products and customers are very different than individual customers and products and in our view the concerns that gave rise to FSRA’s examining the MGA channel do not apply to group customers. The nature of group products results in clients typically possessing a certain level of sophistication and resources. Group clients often retain third-party advisers to assist in obtaining group coverage and may have legal counsel review any contract. Group contracts are for a set term, with insurers competing for the business when retendered. This is in contrast to individual customers who display varying levels of sophistication and income and who may suffer serious harm from misconduct or an inappropriate product. We would advise FSRA devote its regulatory resources to where there is the greater risk of consumer harm, individual customers.

Roles/Responsibilities

The delineation of roles and responsibilities among insurers, MGAs and the regulator is the crux of this matter. Canada Life advocated for an MGA licencing and oversight regime due to our view that independent distribution had evolved to the point where insurers could not adequately play their traditional role in overseeing agents. We believe FSRA came to the same view after examining the sector over a number of years. We now fear that after much effort and revised legislation the Proposed Rule will maintain a status quo that was found lacking.

In thinking about oversight, there are two levels, oversight of the MGA and oversight of agents.

Oversight of the MGA

We are of the view that there must be a meaningful role for the regulator in overseeing MGAs. Obtaining and holding an MGA licence cannot be a matter of form-filling and paying a licencing fee.

MGAs are independent entities and significant market participants that earn income from their contracted agents' sale of insurance. As such, they should be regulated by the regulator. We note that there is precedent for direct oversight of intermediaries in other sectors, for instance mortgage brokers.

This is not to say that insurers wish to wash their hands of any role in overseeing MGAs. Insurers should remain responsible for making sure the MGA is licenced and suitable for contracting and has a reasonable compliance system in place to monitor agents with respect to the distribution of the insurer's products. As the regulator we believe it is appropriate that FSRA manage and enforce the licencing regime and set and enforce MGA compliance system requirements. As is the case with agents, FSRA should conduct periodic reviews of MGAs, likely on a risk-adjusted basis.

Ultimately, we see the oversight of MGAs similar to how we see oversight of other licencees under the *Insurance Act*, with a role for both insurers and the regulator.

Oversight of Agents

In the entire regime that is being created through changes to the *Insurance Act* and the Proposed Rule, responsibility for the oversight of agents is the most important aspect when it comes to achieving fair treatment of customers outcomes. An insurers' inability to see an agent's entire book of business is in our view the reality that made a reconsideration of oversight in the MGA channel necessary. After the time and resources that have gone into this exercise, maintaining insurers as primarily responsible for the day-to-day oversight of agents would in our view not be a satisfactory or appropriate outcome.

Similar to how we see oversight of an MGA as being a shared responsibility among insurers and the regulator, we see oversight of agents as a shared responsibility between insurers and MGAs with the MGA having the primary role. As a guiding principle the division of agent oversight responsibilities between insurers and MGAs can be thought of as follows: MGAs should be responsible for overseeing aspects of contracted agents' business that no single insurer could reasonably be expected to oversee. For example, there is no realistic way for any single insurer to properly oversee:

- The suitability of an agent's business mix and client recommendations,
- The replacement or churning of business across multiple insurers
- Persistency and lapse trends for all advisor business

Any oversight regime that maintains responsibility for these matters with insurers will not adequately address these aspects of potential misconduct.

Where an agent is contracted to an MGA, the MGA should have primary responsibility for agent oversight as the MGA has a direct line of sight into the agent's business.¹ MGAs are in the business of screening, recruiting and supporting agents to distribute insurance products, they are uniquely positioned to monitor their agents' needs-based sales practices. As stated above, the insurer must assess the MGA's

¹ Where an agent is contracted with only one MGA, that MGA will have complete line of sight into the agent's business. Practically speaking, most agents are contracted with only one MGA or place the majority of their sales through a single MGA. However, there will remain instances of agents contacting with and selling through multiple MGAs. In these cases, it is true that no single MGA will have 100% line of sight into all of the agent's business. Addressing the potential oversight gap in these instances would require a primary, or single MGA/dealer model.

compliance system and if the insurer, acting reasonably, is satisfied that the MGA's compliance system is appropriate, it should be able to rely on the MGA's oversight of agents.

However, insurers would retain an important role. In addition to confirming the adequacy of the MGA's compliance system, insurers would remain responsible for product design, promotion and maintaining policyholder obligations as well as providing product training to agents.

Transition period

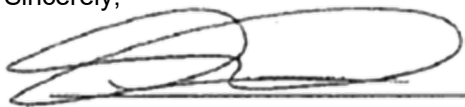
Canada Life advocated for an MGA licencing regime and a review of oversight practices in the MGA channel as we are aware of the gaps in the current system. We think these reforms are in the interests of consumers and the entire industry and do not wish to unduly delay them. Having said that, it is difficult to provide a clear transition timeline expectation without a finalized rule outlining the requirements for all parties involved. With that caveat and reserving the right to take a different view upon publication of the final rule, an 18-month to two-year implementation period could be reasonable.

Second consultation

We would like to reiterate the importance of a second consultation given the existing gap between the Proposed Rule and the key points outlined above. This may be a once in a generation opportunity to redefine how insurance distribution is regulated in Ontario and every effort should be made to achieve the best outcome for consumers. We appreciate your willingness to give this due consideration given our shared commitment to achieve FSRA's stated outcomes of fairness to consumers, enhanced compliance and consistent treatment of customers regardless of the distribution channel through which they obtain insurance products.

We thank you again for the opportunity to comment. Canada Life maintains its commitment to support Ontario's important work in enhancing the oversight of the MGA distribution channel for life and health insurance. We believe this to be a necessary step in providing our industry with the best tools to serve and protect customers.

Sincerely,



David Stewart

Senior Vice President, Independent Distribution