



HUB Financial Inc.

3700 Steeles Avenue West, 10th Floor
Woodbridge, Ontario L4L 8M9

Tel: 905-264-1634

FAX:

905-264-5463

Toll Free: 800-561-2405

Toll Free FAX: 866-479-1701

andrew.fink@hubfinancial.com

www.hubfinancial.com

April 28, 2025

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

Attention: FSRA Rule Consultation Team

Dear Sir/Madam,

Subject: Response to FSRA Proposal on Rule 2025-001

We are writing on behalf of HUB Financial Inc. in response to the proposal of Rule 2025-001 as published by the Financial Services Regulatory Authority of Ontario ('FSRA').

HUB Financial Inc. ('HUB') is one of the largest Managing General Agents ('MGA') in Canada, representing all major Canadian brokerage Insurer companies. HUB is the largest MGA that is not Insurer owned, and this gives us a unique perspective on our distribution channel. HUB is at the forefront of the industry, with senior representation in Canadian Association of Independent Life Brokerage Agencies (CAILBA), Canadian Life and Health Insurance Association (CLHIA), APEXA Strategic Governance, Canadian Life Insurance EDI Standards (CLIEDIS) and FSRA's Stakeholder and Technical Advisory Committees. In addition, HUB senior leadership includes those who have previously held senior positions within the Insurers HUB represents as an MGA and hold individual L&H licences with provincial regulators. As an MGA operating in Ontario, we appreciate the opportunity to provide feedback on the proposed rule and its potential impact on our business operations.

HUB understands and supports FSRA's overall mission of promoting fair, transparent, and sound regulatory practices within the insurance sector. However, we would like to raise several points of concern and propose alternative considerations are made regarding aspects of Rule 2025-001.

Clarity and Scope: The rule, as currently written, appears to introduce significant regulatory requirements regarding the oversight of insurance distribution activities. While we acknowledge the importance of safeguarding consumers and maintaining high standards within the insurance industry, we believe the scope of the rule would benefit from additional clarity. Specifically, the definitions of both the MGA and sub-MGA and more detailed guidelines on how MGAs are expected to demonstrate compliance with the requirements surrounding supervision, training, reporting, and governance structures. These additional details will help ensure uniform interpretation across the industry and avoid confusion in implementation. Specifics are detailed within the enclosed **Appendix**.

The proposed companion interpretation guidance document appears to be a necessary requirement to assist in understanding how to comply with the Proposed Rule. This should be provided in the next stage of consultation and prior to the Proposed Rule being implemented.

Compliance Costs: In the absence of complete clarity and understanding of the requirements of Rule 2025-001, the proposed rule introduces several compliance obligations, including enhanced reporting and training, internal controls, and documentation requirements. While we understand the importance of strengthening consumer protection, the associated compliance costs may pose a significant burden on MGAs. We recommend that FSRA explore mechanisms that could mitigate these financial impacts, such as phased implementation timelines, shared compliance platforms (ie. training), guidelines and templates.

Another area of consideration in reducing compliance costs relates to the MGA and agent Business Practice Reviews (called MGA CRS and APRs) which the industry currently completes on a periodic basis. Most Insurers review MGAs and many conduct APRs on the agents it has under contract. This could mean that an MGA will undergo multiple (ie 4-8) MGA reviews annually by different Insurers with the same questions and documentation requirements. In addition, agents may be selected by more than one Insurer and MGA within a 12-month period. To address the costs and duplication of efforts posed in these scenarios, industry could consider implementing a more streamlined approach to compliance reviews that provides standardized questions and requirements applicable across all Insurers and MGAs and the agents they do business with.

Flexibility in Operational Procedures: MGAs play a crucial intermediary role between Insurers and brokers, and as such, we operate with varying business models. FSRA appears to base its assessment of MGA operational structures and consumer interactions and harm from a single unique MGA operational structure. A one-size-fits-all approach in Rule 2025-001 may not adequately reflect the diversity of MGAs and the specific nature of their operations or the independence status of the MGA and associated agents. We propose that FSRA consider providing flexibility in the application of certain requirements, such as allowing for more customized governance and reporting procedures based on an MGA's operational structure. This would allow MGAs to maintain their operational efficiencies while still upholding regulatory standards.

Transition Period: Should FSRA proceed with adopting Rule 2025-001, HUB requests that a reasonable transition period be provided to allow MGAs to fully assess and adjust their operations to comply with the new regulations. A transition period of at least 12 months from the date of final implementation would help ensure that MGAs have sufficient time to make any updates to their internal processes and implement any required technology upgrades.

Engagement and Consultation: We urge FSRA to continue engaging with stakeholders within the MGA sector throughout the finalization of this Rule and encourage ongoing dialogue with MGAs, either individually or through CAILBA. These consultations would provide valuable insights into the Rule's practical impact on MGA operations and help to identify any unforeseen challenges. The MGA model differs significantly from career agencies and mutual fund dealers, which typically manage a limited or single product shelf and have a lens on all related activities of those who are contracted to do business with them. In contrast, life insurance distribution involves unique complexities across distribution including underwriting, product structures, sales strategies and concepts, risk transfer and other aspects, not merely a financial asset investment. It cannot be compared to a straightforward KYC-based investment suitability process.

In conclusion, while we support FSRA's objective of enhancing the regulatory framework for the insurance industry, we believe that certain modifications and clarifications to Rule 2025-001 would better align the regulatory requirements with the operational realities of MGAs. We look forward to collaborating with FSRA to ensure that the final rule strikes an appropriate balance between regulatory oversight and the practicality of the MGA sector.

HUB appreciates the opportunity to provide feedback and remain available for further discussions on the matter.

Yours sincerely,
HUB Financial Inc.



Andrew Fink
President



Kim Moffatt
Vice-President, Insurance Compliance

APPENDIX

1 – Interpretation:

Managing General Agent

- **Concern:** The specific definition of a ‘managing general agent’ is not clear. There appears to be no requirement to have entered into an MGA agreement with any Insurer.
- **Propose:** Provide clear definition of what constitutes a ‘managing general agent’ and their specific responsibilities, to avoid ambiguity and inconsistencies.

Sub-Managing General Agents and its Agents

- **Concern:** The specific definition of a ‘sub-managing general agent’ is not clear. In addition, the wording implies that Insurers and MGAs may be deemed as doing business with a ‘sub-managing general agent’ they have no awareness of. A contractual obligation should be required between the ‘sub-managing general agent’ and Insurer or MGA.

Sub-MGAs often have a more limited scope of authority compared to MGAs. The rule should consider appropriate distinctions in terms of licensing, reflecting their more focused role in distribution.

- **Propose:** Provide clear definition of what constitutes a ‘sub-managing general agent’ and their specific responsibilities, to avoid ambiguity and inconsistencies.

If FSRA intends to identify those agencies who are operating as MGAs and ‘Sub-MGAs’, eligibility criteria should be reconsidered as the criteria outlined in this proposal will apply to a greater number of agencies than FSRA seeks to regulate as an MGA or sub-MGA. There are many agencies who recruit, train and monitor licensed employees to sell on behalf of the agency that are not contracted or labeled as MGAs or sub-MGAs by industry.

6 – MGA Designated Compliance Representatives

Duties of the Compliance Representative

- **Concern:** The scope of duties for the Compliance Representative is broad, with unclear boundaries regarding their responsibilities in ensuring each sub-MGA and agent complies with this Act, the regulations, the Authority rules and the conditions of the licensee’s licence.

The Compliance Representative may not have direct control over the daily actions or decisions of agents nor immediate access to all transactions conducted by agents, making it challenging to ensure compliance. Full compliance requires cooperation from agents and their independent status makes it challenging to ensure compliance.

- **Proposed Amendment:** The Compliance Representative shall establish and maintain a system that is reasonably designed to identify where sub-MGA and agents are not in compliance with this Act, the regulations, the Authority rules and the conditions of the licensee’s licence.

Role within the Organization

- **Concern:** The requirement that the compliance representative be an officer or partner will limit the availability of qualified individuals for the role. Larger MGAs and National Accounts would employ a

qualified individual for this role that would report to a senior officer, ideally the President, but would not entitle the employee as an officer or director of the company.

While we agree that the compliance function is critical to the firm's operations, we believe that making the Compliance Representative an officer of the firm is not a necessity and may not provide additional benefits to meeting regulatory standards. A critical aspect of an effective compliance function is the independence of the Compliance Representative. By not being an officer, the Compliance Representative maintains the objectivity required to oversee and evaluate the firm's practices without being influenced by internal revenue, operational and performance pressures. Would FSRA also require an Insurer Compliance Representative to also hold officer positions?

- **Proposed Amendment:** Allow flexibility in the structure of the MGA, permitting a broader range of individuals with appropriate authorities (e.g., senior managers) to fulfill the compliance representative role if they meet the necessary qualifications and criteria.

Section 9 – MGA Compliance System

Compliance System:

- **Concern:** The language is broad and doesn't clarify the level of documentation required to demonstrate compliance, especially in terms of ongoing monitoring and assessments.
- **Proposed Amendment:** Specify that there should be written policies and records to show ongoing compliance assessments, including documentation of decisions made and actions taken in relation to assessments, remediation, and reporting.

Compliance with Insurance Laws

- **Concern:** The requirement that an MGA's compliance system should achieve outcomes that associated agents, and Sub-MGAs comply with all applicable insurance laws is broad. Concerns mirror those identified in **Section 6** above.

Sub MGA Review:

- **Concern:** The MGA shall, and not less than once per year, conduct an assessment of each associated sub-MGA to determine if each such sub-MGA is complying with all applicable insurance law. Annual reviews of sub-MGAs will be resource-intensive and may not provide additional value in ensuring compliance or risk management.
- **Proposed Amendment:** A more tailored, risk-based approach would be more appropriate. MGAs review sub-MGAs based on specific risk indicators or compliance concerns, such as changes in business operations, regulatory updates, or identified areas of concern. This targeted approach allows for better resource allocation and allows for reviews to be conducted when they are truly necessary, rather than on a rigid annual schedule.

Client Service Continuity Plan:

- **Concern:** The continuity plan for the transition of client services should not be an MGA only responsibility. The Insurer maintains the direct contractual relationship with the policyholder, the servicing agent and MGA may change throughout the lifecycle of the policy. The Insurer implemented a compensation structure that only compensates the original selling agent when the

policy renews. This makes it difficult for MGAs to arrange for another agent to assume servicing responsibilities for clients that are “orphaned” by the selling agent.

- **Proposed Amendment:** Require a more detailed continuity plan that includes specific steps for both Insurers and MGAs in transitioning client relationships, notifying clients and compensating the new service agent for their participation in the ongoing service of the Insurer client.

Section 13 – Screening Agents – MGA Standards of Practice

Standards of Practice Under Subsection 407.4(6) of the Act:

- **Concern:** There is some ambiguity in how subsection 407.4(6) of the Act applies to MGAs, especially regarding screening procedures.
- **Proposed Amendment:** Provide clear information on how subsection 407.4(6) applies to screening agents to determine what specific practices and procedures that MGAs should follow to comply with the Act.

Section 14 & 15 – Training Agents

“When FSRA issues a licence, it is considered a public endorsement that the licensee can serve as a trusted advisor to their clients”. Insurers and MGAs should be able to place some reliance upon the training taken by the agents prior to arranging for the authorized licence by FSRA. This training is further supported by the training made available to agents by both Insurers and MGAs.

Reliance on Managing General Agent for Training:

- **Concern:** Insurers relying on MGAs for training may face difficulties ensuring the MGA provides training that meets all Insurer required standards. Product manufacturers should hold primary responsibility to train on their product to ensure quality control of the information provided.
- **Proposed Amendment:** While MGAs may conduct some supplementary training, not related to Insurer’s products, each Insurer should remain solely responsible for implementing, maintaining and delivering all proprietary product training materials.

MGA Role in Training:

- **Concern:** Unlike organizations like ‘National Accounts’ and the ‘Multi-level Marketing’ MGA, the typical MGA does not recruit agents to act on their behalf and conduct business in the MGA name. The proposed training outlined appears to be geared towards employees and new to industry recruits.

The MGA understands and fully supports the need for agents to be trained on how to sell, industry best practices and to comply with all applicable regulations. We believe that access to training that covers industry standards, ethical conduct, and best practices is vital for agents to succeed in providing quality service to policyholders. Not all agents associated with the MGA have the same training requirements and books of business with the same customer profiles. As such, training requirements are varied and diverse. We believe that access to training that covers industry standards, ethical conduct, and best practices is vital for agents to succeed in providing quality service to policyholders.

- **Proposed Amendment:** The MGA provides access to a variety of training by Insurers, industry experts and training developed by the MGA on industry best practices, sales processes, business development and to comply with all applicable regulations.

Collaboration between the MGA and the Insurer is essential to ensuring agents receive the necessary training and support.

Section 16 – Agents Obligations

FSRA is introducing the proposed Rule to strengthen the regulatory framework for MGAs by prescribing standards of performance and the roles and responsibilities of life Insurers, L&H MGA, sub-MGA and L&H agents in the performance of the regulated activities and speaks to the requirements of both MGAs and Insurers in this endeavour. We note that the agents' obligations are not clearly outlined.

- **Concern:** Agents are required to take Insurer or MGA training, avoid conflicts of interest, and provide any evidence required by the Insurer or MGA to evidence the agent has complied with all applicable insurance law.
- **Proposed Amendment:** In addition to obligations outlined within the Rule, Agents should be required to engage in needs-based selling, through fact-find, needs assessment, product education, Disclosure, appropriate Record Keeping and on-going policy services throughout the life cycle of insurance policies sold.

Section 18 – Transitional Matters

Revocation of Managing General Agent Licence Before End of Transition Date:

- **Concern:** The potential for the Chief Executive Officer (CEO) to revoke an MGA licence that has not yet taken effect could create unnecessary consequences for businesses relying on those licenses to operate, especially if there is a lack of clear communication about the reasons for revocation.
- **Proposed Amendment:** Recommend implementing a formal warning or notification system that alerts the MGA of pending revocation prior to its final decision. This could provide the MGA an opportunity to correct issues or clarify misunderstandings before a revocation is executed.

Consultation Questions:

1. Balancing Proportional but Common Requirements: Distribution through MGAs should improve access for consumers and flexibility, while still ensuring customers benefit from protection from harm, regardless of whether distribution includes MGAs.
 - a. Does the Proposed Rule appropriately balance flexibility for Insurers, L&H MGAs and sub-MGAs to negotiate their role in the distribution of individual and group life and health insurance while establishing common regulatory outcomes for Insurers, L&H MGAs and sub-MGAs when performing a regulated activity?
 - b. Given that MGAs vary in size, operations, and complexity, are there specific issues that FSRA should consider in the Proposed Rule to address unique needs or challenges (e.g., smaller MGAs, Associate General Agents, National Accounts and Third-Party Administrators)?

HUB Response: The proposed FSRA Rule 2025-001 generally appears to strike a reasonable balance between providing flexibility for Insurers, L&H MGAs, and sub-MGAs to negotiate their roles in the distribution of individual life and health insurance, while also establishing common regulatory outcomes necessary to maintain consumer protection, industry integrity, and compliance with regulatory standards. While flexibility is essential, the rule must also provide clear guidelines about the specific responsibilities of each party and the requirement to collaborate in agent training and oversight to ensure consumer protection outcomes. Please also consider the comments within this response regarding varying MGA operations.

2. Clarity of Rule: Which part of the Proposed Rule would benefit from additional clarity within the Rule? What parts of the Proposed Rule would benefit from additional guidance?

HUB Response: Following HUB review of FSRA Rule 2025-001 there are several areas that would benefit from additional clarity and guidance. Please consider those areas identified in comments within this response.

3. Insurer and MGA compliance systems: FSRA has included additional requirements for MGA compliance systems as it believed MGAs would benefit from additional details and clarity about how and when to monitor sub-MGAs. Although such actions are not explicitly listed in the Proposed Rule for Insurers, FSRA anticipates Insurers may undertake similar actions to achieve other required outcomes, such as reporting to FSRA an MGA who may not be suitable to hold its licence. Does the Proposed Rule appropriately balance Insurer and MGA compliance system requirements? If not, which part of the Proposed Rule would benefit from changes?

HUB Response: Although FSRA's supervisory reports concluded that there exists real potential for consumer harm due to L&H MGAs inadequately screening, training, and monitoring agents, the MGAs reviewed are not the typical format for the MGA distribution channel. HUB believes the MGA foundation is strong, and the typical MGA model works in collaboration with the Insurers they partner with to provide positive consumer outcomes. Agents associated with MGAs generally do not have a one-size-fits-all sales process, with the vast majority of agents working to help Canadian consumers. Although adding some clarity of the roles and requirements for MGA compliance systems, HUB believes the best outcomes will be realized through the continued collaboration of MGAs and Insurers which it participates in today.

4. Standards of Practice: Should FSRA create standards of practice for MGAs or regulated activities under s. 407.2 beyond what is included in the Proposed Rule, and, if so, what does the stakeholder believe the standard should be, to whom should it apply, and what are the benefits to consumers?

HUB Response: As an MGA, HUB believes that FSRA should consider creating additional standards of practice for agents, particularly around transparency, consumer protection, and ethical conduct. Further

clarity on issues like conflict-of-interest disclosure, performance metrics, with an emphasis on ensuring that they uphold a high standard of conduct in their dealings with consumers, Insurers and MGAs could improve the regulatory framework. Specific standards could include ensuring the suitability of products for consumers, and mandatory training to maintain ethical standards. The benefits to consumers would be significant, as enhanced standards would help ensure that they are receiving fair and transparent treatment, with clear accountability in place for the agents' actions. This would also help reduce the risk of inappropriate sales practices or misrepresentation of insurance products, fostering a more trust-based relationship between consumers, agents and Insurers.

5. Transparency About MGAs: Given the predominant role that L&H MGAs play in distributing insurance, should there be additional measures to increase transparency to consumers about
 - a. whether a L&H MGA is involved with the distribution of a product the consumer may purchase or has purchased, and
 - b. if so, what role(s) the L&H MGA has in relation to that product?

HUB Response: It may be helpful to provide consumers with clear and simple information about the involvement of an MGA, but this should be balanced with the need to avoid overwhelming the consumer with excessive details. A straightforward disclosure at the point of sale or in the policy documentation should be sufficient to inform consumers without complicating the process.

If transparency is to be increased regarding the MGA's role, it should focus on outlining the MGA's function in relation to policy administration and not as a recommender of the products purchased. This information should be communicated in a concise, accessible format, ensuring consumers understand the MGA's involvement without detracting from the role of the agent and Insurer and creating unnecessary complexity to the efficient distribution of insurance products.

6. Compliance Challenges: Given Insurers and MGAs are distinct legal entities, and that life agents and MGAs can contract with multiple Insurers and MGAs,
 - a. What practical challenges, if any, could limit an Insurer's and/or MGA's ability to fulfill their compliance system requirements in the Proposed Rule?
 - b. Do Insurers and MGAs adequately understand their respective requirements under the Proposed Rule in monitoring MGAs, sub-MGAs, agents and/or prospective agents in a multi-contract scenario and know what requirements are applicable to MGAs, sub-MGAs, agents and prospective agents?
 - c. What changes, if any, are required in the Proposed Rule to address these challenges?

HUB Response: Life agents and MGAs generally contract with multiple Insurers and agents have the ability to conduct transactions directly with the Insurer. Given the independent status of most agents, and without a full lens of all activities, it is impossible for one party to fully oversee the activities of an agent. Additionally, MGAs often operate with a large number of agents, and coordinating oversight across multiple layers (MGAs, sub-MGAs, agents, and prospective agents) can be resource-intensive and operationally challenging. It is important that there is a collaborative approach to compliance requirements, where possible, to mitigate this challenge.

Insurers and MGAs generally have a solid understanding of their respective compliance requirements. However, additional burden and confusion is created when different Insurers impose varying compliance obligations. Clearer guidance and more detailed instructions from FSRA could help ensure that both Insurers and MGAs are fully aware of their obligations in tracking and managing compliance.

To address the challenges posed in these scenarios, FSRA could consider implementing a more streamlined approach to compliance that provides standardized requirements applicable across all Insurers and MGAs. Additionally, the rule could clarify the shared responsibilities of Insurers and MGAs, when it comes to monitoring and overseeing agents and sub-MGAs. Introducing more practical tools or templates for compliance reporting could reduce administrative burden and help ensure more consistent and effective

oversight. MGAs are committed to compliance, and while the Proposed Rule lays a foundation, adjustments to simplify compliance management and ensure clearer guidance would further support the industry in meeting FSRA's objectives while promoting operational efficiency.

7. Insurer Screening: Considering existing screening requirements on Insurers under regulation 347/04: Agents, are changes needed to the Rule to reduce the potential for duplicate screening of agents who are authorized to sell or solicit insurance from many different Insurers?

HUB Response: It is important that any Insurer, MGA or Sub-MGA an agent is contracted to do business with takes steps to understand, and screen for, the suitability of the agents they do business with. Duplication of screening efforts can be reduced through use of APEXA, a centralized database / platform that is used for agent screening, including results from credit, criminal, licence(s) and EYO and is available to all Insurers and MGAs.

8. Transition Matters: FSRA has included a transition framework in the Proposed Rule which would allow stakeholders to apply for a licence immediately after the Amendments are proclaimed in force and require applicants to meet specific requirements but otherwise delay industry's need to comply with the framework to a set time in the future. Assuming FSRA requires all persons who wish to operate as a L&H MGA at the end of the transition period to apply at least 6 months before the end of the transition period, what do stakeholders believe is a reasonable transition period?

HUB Response: The new licensing and operational requirements proposed in FSRA Rule 2025-001 may require significant changes to internal processes, resources, compliance frameworks, technology and business operations. MGAs will need time to fully understand, adapt, and implement any changes necessary. It is crucial to account for the time needed to engage with and educate stakeholders, including agents, about the proposed regulatory requirements. Additionally, FSRA may need to provide training or guidance to ensure industry stakeholders fully comprehend the expectations and can comply effectively. As proposed earlier, a reasonable transition period of at least 12 months from the date the Amendments are proclaimed in force would provide stakeholders time to adjust and implement any necessary changes in preparation of full compliance by the end of the transition period.