April 30th, 2025

Financial Services Regulatory Authority

25 Sheppard Avenue West, Suite 100

Toronto, ON

M2N 6S6

Attention: Tim Miflin, Senior Manager, Policy – Market Conduct

**Re: MGA Consultation – Rule 2025-001 – Life and Health Insurance Managing General Agents (the “Proposed Rule”)**

The Financial Services Regulatory Authority (the “FSRA”), under authority granted by way of the *Financial Services Regulatory Authority of Ontario Act,* 2016, has issued for comment, Rule 2025-001 – Life and Health Insurance Managing General Agents (the “Proposed Rule”). Advocis is pleased to participate in this consultation and provide our thoughts.

**About Advocis**

Advocis, The Financial Advisors Association of Canada, is the country’s largest and oldest professional membership association of financial advisors and planners in Canada. With more than 7,500 members across the country, Advocis is the definitive voice of the profession, advocating for professionalism and consumer protection. Our members are provincially licensed to sell life, health, and accident and sickness insurance, as well as by provincial securities commissions and the Canadian Investment Regulatory Organization as registrant for the sale of mutual funds or other securities. Members of Advocis are primarily owners and operators of their own small businesses, creating thousands of jobs across Canada. Advocis members provide advice in several key areas, including estate and retirement planning, wealth management, risk management, tax planning, employee benefits, and life, critical illness and disability insurance.

Professional financial advisors and planners are critical to the ongoing success of the economy, helping consumers to make sound financial decisions that ultimately lead to greater financial stability and independence both for the consumer and the country. No one spends more time with consumers than advisors and planners, educating them about financial matters and helping them reach their financial goals. Advocis works with decision-makers and the public, stressing the value of financial advice and striving for an environment in which all Canadians have access to the advice they need.

**Brief Conclusion**

Advocis supports the intention underlying the Proposed Rule. A clear evolution has taken place in the distribution of insurance products with the Managing General Agency (“MGA) assuming the key role of intermediary, coming between the insurer and the agent. The need for MGA licensing was long overdue, and the consolidation of rules surrounding the roles and responsibilities on the part of the insurer, MGA, and agent under the oversight of the Financial Services Regulatory Authority (“FSRA”) is appropriate. Clearly, there will be a need to develop guidance following the passage of the Proposed Rule given that it is largely principles based in structure and stakeholders will both need and benefit from working with the FSRA in developing guidance.

Historically, Canadian Life and Health Insurance Association (“CLHIA”) Guidelines established principles that influenced the contracts involved between the parties relating to suitability, conduct and oversight with ultimate responsibility residing with the insurer. This approach places the agent at somewhat of a disadvantage given that the CLHIA is the industry association representing the interest of the insurer. This reality, at times, resulted in agents being marginalized in the formation of Guidelines that impacted them directly.

The FSRA, through the development of the Proposed Rule has mitigated the concerns and conflicts that existed through having the regulator clearly establishing the rules and guidance for insurers, MGAs, and agents. This approach does not negatively impact the contractual relationships that exist between the various parties, but it does remove conflicts of interest that were a concern to agents resulting from an insurer only association controlling the development of the guidelines directing the activities and oversight of registrants. The result, in addressing this weakness there is a heightened sense of positive consumer outcomes and the fairer operation of the market for all stakeholders.

**Our Comments**

The Proposed Rule effectively captures key elements that have directed the contractual relationship between insurers, MGAs, and agents traditionally set out in CLHIA Guidelines.

Advocis was supportive of establishing a licensing regime for MGAs given the importance of their role in facilitating the sale of life and/or accident and sickness insurance, and acting as the intermediary in the relationship between the insurer and the agent. This is an important development as MGAs have traditionally fallen outside of the scope of regulatory licensing.

The legislative amendments allowing for licensing represented the first step in consolidating the oversight of MGAs and the Proposed Rules further consolidates the expectations that governments and regulators have with respect to the roles and operations of insurers, MGAs, and agents.

In Ontario an issuer has the ultimate responsibility to screen representative for their suitability to carry on business as an agent, as well as to monitor their behaviour.[[1]](#footnote-1)

We are pleased that the Proposed Rule clearly articulates that the sharing of oversight by the MGA and insurer does not diminish or otherwise alter the ultimate responsibility that an insurer has for the agent.

The distribution channel for insurance products has evolved over the years with MGAs assuming an increasingly prominent role acting as the intermediary between the insurance company who creates product and the agent who advises and sells insurance products to their clients. Given the prominence of MGAs as the intermediary it has been suggested that the legal responsibility under regulation for oversight should properly resides with the insurer is in need of amendment and/or repeal. At a time when regulatory red tape reduction is a goal for governments and regulators it is argued that the Proposed Rule, in continuing to support the notion for the ongoing shared responsibility by both the insurer and MGA, is an example of over regulation that is unnecessarily and costly with the cost ultimately borne by the consumer. Those supporting this concept suggest that this is a missed opportunity to reduce unnecessary regulation and reduce red tape.

Advocis would disagree with this view and are pleased that the Proposed Rule is unambiguous and clearly notes that insurers remain accountable. We agree that an evolution has taken place in the distribution channel for insurance products with the MGA assuming the role of intermediary. However, the relationship between the insurer and the MGA is contractual in nature and a clear imbalance in bargaining power exists between MGA and insurer.

We note that MGAs come in many forms and sizes. The one common element shared by all MGAs is that their profitability and existence are entirely dependent upon maintaining a contractual relationship with the insurer. The loss of even one contract with an insurer can result in the failure of an MGA. Such reliance creates concerns and conflicts of interest. The resultant imbalance in bargaining position between the MGA and insurer is a function of the market with which we have no issue. Our concern is with respect to the conflict of interest that emerges and the possible negative impact this can have on agents and consumers, and how to mitigate the conflict and the possible negative implications for stakeholders inclusive of consumers.

The conflict faced by the MGA and insurer cannot be underestimated. Their responsibilities under the Proposed Rule is clear and directed toward addressing suitability matters that ensure the MGA and agent are properly geared toward achieving optimal consumer protection and outcomes. Given the principles based nature of the Proposed Rule, the structure of the contract between the insurer and their intermediary, the MGA, could intentionally or unintentionally be influenced by the insurer’s desire to maximize their shareholder value, or the need and desire of the MGA to ensure a continued business relationship with the insurer resulting in suboptimal policies and procedures being developed and implemented on the part of the MGA for their oversight of the agent. Accordingly, left unchecked the conflict can be harmful to consumers and the insurance industry.

It is the fundamental imbalance in bargaining power and resultant conflict of interest that argues for retaining the requirements in the regulation for ultimate responsibility residing with the Insurer as is reflected in the Proposed Rule. This requirement operates to ensure that the appropriate checks and balances are in place to optimize client/consumer protection through ensuring the appropriate steps have been taken to address the inherent conflicts that arise in this business structure. Altering the shared responsibility or removing the requirement on the part of the insurer based on the premise that the requirements under Ontario Reg. 347/04 ensuring insurer accountability is redundant and an example of over regulation is a seriously flawed premise.

Advocis believes that an avenue exists that can address the fundamental conflicts that argue against the removal or amendment to Ontario Reg. 347/04, s. 12 (1), (2) and (3). Such an avenue is dependent upon the evolution of the ongoing professionalization of advisors and planners that started under the Ontario *Financial Professionals Title Protection Act, 2019* (“Title Protection”).

As the profession for advisors and planners and the Credentialing Bodies (“CBs”), charged with oversight of advisors and planners evolves, it presents an interesting opportunity for the insurers, MGAs, and CBs to work cooperatively with a view to having the CBs assume full responsibility and oversight of advisors and planners. Under such a structure the CBs would not face any of the issues or conflicts that currently exist that argue for the retention of the shared responsibility and accountability between MGAs and insurers. In such an environment it would make sense to then remove the requirement on the insurer and MGAs to retain responsibility for suitability and conduct of the agent given that the CBs are completely independent of either, would assume complete oversight, and the conflicts that arises as a result of the contractual relationship between the parties is removed.

We would also like to briefly comment on one technical element contained in the Proposed Rule that may have unintended consequences.

Travel insurance can contain both accident and sickness (“A&S”) and property and casualty (“P&C”) coverage. The A&S and P&C components are often sold together as a single product and may be underwritten by a life insurer or a P&C insurer. However, the travel insurance industry is generally not subject to the same regulatory framework, as underwriters and distributors may be subject to A&S specific or P&C specific rules and supervision. As a result, an A&S only MGA that had been set under separate legislation is now captured by the Proposed Rule. It should be noted that travel insurance products include A&S coverage, but they do not include Life coverage. Accordingly travel insurance is not captured by the original licensing class of life insurance but since a class of A&S only was added to the Proposed Rule, the entire travel insurance distribution environment is potentially captured.

In Part 2.1 of the Proposed Rule it states that the Rule captures

1. insurers that are licensed for the class of *life insurance*;
2. life insurance and accident and sickness *insurance issued or to be issued by these insurers*; in this Rule, such insurance is referred to as “insurance”
3. managing general agents licensed under Part XIV.1 of the Act who perform any MGA licensed activity *with respect to such insurance for an insurer that is licensed for the class of insurance*

The unintended consequence of limiting the Proposed Rule to life insurers, and the MGAs that perform licensed activity for life insurers, is that a travel insurance MGA could avoid the application of the Proposed Rue by doing business only with a P&C insurer. The outcome of this selection will result in life insurers being at a competitive disadvantage to P&C insurers with respect to travel MGA business. The additional regulatory and compliance burden placed on life insurers and their distributors will reduce competition by distorting the travel insurance playing field in favour of P&C insurers, negatively impacting competition and consumers.

**Concluding Comments**

We thank you for the opportunity to provide our comments on the Proposed Rule. Should you have any questions, please don’t hesitate to contact the undersigned or Ed Skwarek at eskwarek@advocis.ca .

Sincerely,



Kelly Gorman CPA, CA, ICD.D

CEO



Al Jones CFP, CLU, ICD.D.

Chair, National Board of Directors

1. See O. Reg. 347/04, s. 12 (1), (2) and (3): 12.(1) Every insurer that authorizes one or more agents to act on behalf of the insurer shall establish and maintain a system that is reasonably designed to ensure that each agent complies with the Act, the regulations and the agent’s license. (2) The system referred to in subsection (1) must screen each agent for suitability to carry on business as an agent. (3) An insurer shall report to the Superintendent if it has reasonable grounds to believe that an agent who acts on behalf of the insurer is not suitable to carry on the nosiness as an agent. [↑](#footnote-ref-1)