

April 30, 2025

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

Attn: Tim Mifflin, Senior Manager, Policy – Market Conduct

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

On behalf of [The Travel Health Insurance Association of Canada \(THIA\)](#) and our members, I wish to thank you for the opportunity to provide input on the proposed Rule 2025-001 – Life & Health Insurance Managing General Agents (the “L&H MGA Rule”). This open and transparent process allows for industry stakeholders, including THIA, to express their views regarding this significant new licensing regime.

Founded in 1998, THIA is the leading voice of the travel insurance industry in Canada. THIA’s membership includes, life and health insurers, property and casualty insurers, distributors, re-insurers, emergency assistance companies, air ambulance companies and allied services in the travel insurance field.

THIA supports harmonization and predictability in the regulatory environment across Canada. We also support measures that will promote greater consumer protection and choice. With respect to the proposed L&H MGA Rule, we are concerned about its potential application to the travel insurance industry, and its potential impact on competition and consumer choice.

For the reasons set out below, **THIA strongly believes that travel insurance and travel insurance MGAs should be expressly excluded from the application of the L&H MGA Rule.**

***Ministry of Finance Consultation on Amendments to the Insurance Act***

The Ministry of Finance conducted a public consultation (the “Ministry Consultation”) closing on September 9, 2024, regarding proposed amendments to the Ontario *Insurance Act* (the “Act”) that would introduce a new licensing class for life and health managing

general agents (“L&H MGAs”). The draft legislative amendments enclosed with the Ministry’s consultation paper included the new Part XIV.1 – Managing General Agents – Life Insurance and Accident and Sickness Insurance, which, at paragraph 407.3(3) specified the following class of managing general agent’s license that may be issued under Part XIV.1:

*License for life insurance and accident and sickness insurance.*

In the Appendix to the Ministry Consultation, a list of questions was provided. The second question was:

*Should the licensing class for L&H MGAs include Accident and Sickness (A&S)/health-only MGAs and/or those who conduct activities for A&S/health-only insurers? Why or why not?*

In our response to the Ministry, THIA responded that the licensing class should *not* include A&S/health-only insurance, the MGAs that distribute such products, or insurers that underwrite those products. This was based on our understanding that the proposed licensing class was not intended or designed to apply to travel insurance. Rather, it was intended to apply to life and health MGAs, the insurance products they distribute, and the underwriters with which they contract to do so. This was the subject of FSRA’s *Insurer-MGA Relationship Review Report* published on July 28, 2021 (“FSRA MGA Report”), the *CCIR cooperative MGA-focused thematic review – Consolidated observations report* published by FSRA on September 28, 2022 (“CCIR Thematic Review”), and, of course, the Ministry Consultation itself.

We were surprised to learn that within the *Building Ontario For You Act (Budget Measures), 2024*, (“Bill 216”) passed shortly after the consultation closing, another class of managing general agent’s license had been inserted into the final version of the amendments:

*License for accident and sickness insurance.*

THIA was not consulted on this highly impactful change. The addition of the A&S-only MGA licensing class, and its adoption in the proposed L&H MGA Rule is highly problematic for the travel insurance industry for the reasons set out below.

### ***Application of the L&H MGA Rule to Travel Insurance***

Travel insurance is a hybrid insurance product. It may contain both an accident and sickness (“A&S”) component (i.e., emergency out-of-province/out-of-country medical

insurance), as well as various property and casualty (“P&C”) coverages such as lost or stolen baggage insurance. These 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, either of which may be authorized to write the class of A&S insurance in Ontario. As a result, the travel insurance industry is not uniformly 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 of the A&S-only MGA licensing class included in Bill 216, travel insurance is now captured by the L&H MGA Rule. As mentioned above, travel insurance products include A&S coverages, but they do not include Life coverage. Therefore, travel insurance is not captured by the original licensing class of “Life **and** accident and sickness insurance” proposed in the Ministry Consultation (and all previous FSRA/CCIR reports noted above) because it does not include the Life component necessary to be captured by such a class. However, since a class of A&S-only was added, the entire travel insurance distribution environment is potentially captured by the L&H MGA Rule.

Despite the addition of the A&S-only class in Bill 216, the L&H MGA Rule does not appear to distinguish between the two classes, and, in subsection 2(1), expressly applies only to:

- (i) insurers that are licensed for the class of **life insurance**,
- (ii) 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”,
- (iii) 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 life insurance**

The presumably unintended consequence vis-à-vis travel insurance of limiting the L&H MGA 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 L&H MGA Rule by doing business only with P&C insurers. As noted above, travel medical insurance products are provided by both Life and P&C insurers, either of which can be authorized by FSRA to underwrite A&S insurance, and so a travel insurance MGA could choose to exclusively distribute for P&C insurers. This will result in Life insurers being at a significant competitive disadvantage to P&C insurers with respect to travel MGA business.

The proposed L&H MGA Rule together with the changes made in Bill 216 cast a wide net across the life and health insurance distribution chain. It imposes an array of obligations

on insurers, managing general agents, sub-managing general agents, designated compliance representatives, and agents, and imposes shared responsibility for outcomes. This additional burden placed on Life insurers and their travel insurance distributors will reduce competition by distorting the travel insurance playing field arbitrarily in favour of P&C insurers and will ultimately have a negative impact on consumer choice.

For these reasons, **THIA strongly believes that travel insurance and travel insurance MGAs should be expressly excluded from the application of the L&H MGA Rule.**

### ***Travel Insurance MGA Business Model***

In addition to the significant issue explained above, there are several other aspects of the L&H MGA Rule that give reason to believe it is not well-suited for the regulation of travel insurance MGAs. Travel insurance MGAs have a different business model than the L&H MGAs that were the subject of the FSRA MGA Report, the CCIR Thematic Review, and the Ministry Consultation. While FSRA has certainly made its concerns known with respect to certain Life MGA models in those reports, this is not an issue or concern with travel insurance MGAs.

Similar to P&C MGAs, insurers contract with travel insurance MGAs for their expertise in product design and underwriting, among other things. Many travel insurance MGAs consider their policy wordings and underwriting as proprietary and supply those wordings to the insurer(s) with which they contract. Travel insurance MGAs bring value to the consumer by developing these wordings with specific market segments in mind, ensuring that the products are better suited to those consumers within the segment. This model benefits consumers by providing greater choice and competition, and it does not present any particular risk of consumer harm since the ultimate responsibility, oversight and approval of policy wordings and underwriting remains with the insurers and subject to existing regulatory expectations for outsourcing and third-party risk management.

Also, travel insurance MGAs will typically have their own network of sub-brokers or sub-agents, but in most cases they also distribute directly to consumers and are appropriately licensed to do so, ensuring that the MGA's role in travel insurance distribution is subject to appropriate safeguards to ensure the fair treatment of consumers.

Therefore, the L&H MGA Rule is not appropriate to regulate the travel insurance MGA model, and, moreover, the current distribution regulatory framework already ensures appropriate oversight of travel insurance MGA activities. In keeping with the International Association of Insurance Supervisors Insurance Core Principle 18 for the regulation of intermediaries, the unique nature of the travel insurance MGA business model should be

taken into consideration, and we would hope that a carve-out for the industry could be implemented.

### ***Conflicts with Other Licensing Regimes***

The new section 407.2 of the Act together with section 1(7) of the L&H MGA Rule essentially define MGA activities as engaging in **any** of the following:

- Recruiting agents or prospective agents
- Screening agents or prospective agents to confirm the agent is suitable to carry on business as an agent
- Providing training to agents
- Supervising or monitoring the activities of agents
- Entering into written agreements with agents who sell or solicit life insurance or accident and sickness insurance
- Recommending agents to insurers to sell or solicit life or accident and sickness insurance
- Transmitting an insurance application or a policy of insurance between an insurer licensed for classes of life or accident and sickness insurance and an agent
- Supervising, training or monitoring the activities of prospective agents

There are a significant number of entities that are involved in travel insurance distribution that could be caught by the L&H MGA Rule, especially given how broadly MGA activities are defined. Many of those entities are already licensed by FSRA as corporate agencies. It is not entirely clear to us in the L&H MGA Rule, however, we presume those entities would be required to change their licensing status to an MGA.

There are also many entities and persons involved in travel insurance distribution that could be caught by the L&H MGA Rule that are licensed as insurance brokers or brokerages with the Registered Insurance Brokers of Ontario ("RIBO"), as well as travel agents or agencies registered under the *Travel Industry Act, 2002*, and distributing pursuant to an exemption under the *Registered Insurance Brokers Act*. If a travel insurance MGA contracts with RIBO brokers/brokerages or exempt travel agents/agencies to distribute their products, it is unclear whether these entities would also be required to be licensed by FSRA as an L&H MGA, or sub-managing general agent, etc., and the potential impact on such an entity's ability to distribute P&C products from multiple underwriters.

As mentioned above, we believe the L&H MGA Rule was not intended to apply to travel insurance. It was not drafted with the travel insurance distribution environment in mind, it does not solve any known or apparent issues within the travel insurance industry, and its

application would cause conflicts with other licensing regimes. The simplest and most appropriate solution is to expressly exempt travel insurance from the L&H MGA Rule.

We appreciate this opportunity to comment on the proposed L&H MGA Rule. We would welcome any further discussion of this matter and would be pleased to assist in any way we can.

Sincerely,



Elliot Draga  
President

Cc: Michael Camacho, Treasurer, THIA  
Alice Zuquim, Chair, Regulatory Affairs Committee, THIA  
Sean McGurran, Counsel, Torys LLP, External Legal Counsel to THIA