



Montreal, April 30, 2025

Mr. Dexter John
Chief Executive Officer
Financial Services Regulatory Authority of Ontario
25 Sheppard Avenue West, Suite 100
Toronto (ON), M2N 6S6
contactcentre@fsrao.ca

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

Dear Mr. John,

On behalf of Desjardins Group, I am pleased to respond to your request for comments on the Financial Services Regulatory Authority of Ontario's (FSRA) public consultation on Proposed Rule 2025-001: Life and Health Insurance Managing General Agents.

The Desjardins Group is the leading cooperative financial group in Canada, serving over 7.8 million members and clients across the country with assets totalling 470.9 billion. For over 120 years, Desjardins has listened to and responded to the needs of its members, adapting to change as necessary. We provide Canadians with banking, wealth management, life and health insurance, and property and casualty insurance, as well as personal, business and institutional financial services. In Ontario, Desjardins Ontario Credit Union (DOCU) is the second-largest credit union, with over 162,000 members, 35 branches and assets totalling over 14 billion. Desjardins Insurance is the life and health insurance subsidiary of the Desjardins Group. IDC Worldsource Insurance Network Inc. is a division of Worldsource Wealth Management Inc., which is wholly owned by Desjardins Group.

Over five million Canadians rely on our expertise and our people-focused approach. As an industry leader, we prioritize the experience of our members and clients by offering insurance products that meet their evolving needs. Effective industry oversight in the life and health insurance sector, regardless of business model, is a key priority for our organisation. We welcome the opportunity to collaborate with the FSRA on this matter.

We are pleased that the FSRA has agreed with the recommendations of the stakeholders to update the legislative and regulatory framework in order to recognize the role of life and health managing general agents (MGAs), and that the Ministry of Finance has taken the feedback of the industry into consideration when making its recent legislative amendments. However, we believe that the FSRA's proposed rule requires refinement in order to adequately reflect the independent intermediary role of MGAs and ensure

that they are directly accountable to the FSRA for their responsibilities. As insurers have limited visibility of MGAs' businesses and cannot effectively regulate them through their contracts alone, we believe that the FSRA has an important role to play as an independent regulator in creating a level playing field, setting compliance expectations, and preventing potential consumer harm. We believe that substantial questions remain about the FSRA's Rule and that further consultation with the industry is required to better protect consumers and avoid unnecessary regulatory burdens.

Clarify the treatment of distribution channels that are not traditionally understood as MGAs

We support the strengthening and clarification of the regulatory environment in which MGAs operate, as these entities are independent intermediaries that contract with insurers, operating independently with distinct operations. However, the definition of an MGA under the Insurance Act may encompass entities that are not commonly referred to as, or operating as, a 'Managing General Agent' or MGA. For example, requiring a MGA licence for captive agents, insurance agencies, corporate partnership agencies, or other distribution channels (such as distribution without agents for travel or creditor insurance) would not provide any additional protection for consumers, but would only add costs and complexity to an insurer's operations. These entities already rely entirely on their controlling insurer for compliance purposes, and the direct responsibility of the insurer in this matter is clear.

As such, we believe that the FSRA should adjust the rule to minimise the burden imposed on those entities. Ideally, the FSRA's rule would complement the definition in the Insurance Act to more accurately identify which entities are excluded from the MGA licensing requirement, thus avoiding the implementation of an overly broad MGA licensing system that would burden both insurers and the FSRA. We also encourage the FSRA to consult with the industry, and with the Ontario government, if necessary, to ensure that the scope of the MGA licensing requirement is properly calibrated to the realities of the industry.

Roles and responsibilities of insurers and MGAs

The FSRA's rule aims to give insurers and MGAs flexibility when distributing life and health insurance products, while establishing common regulatory outcomes. Under the proposed rule, insurers must monitor all MGAs and agents and ensure that MGAs also oversee sub-MGAs and agents. We believe that this duplication of compliance duties would be both burdensome and inefficient. Therefore, we propose that the FSRA exercise direct regulatory oversight of MGAs, which would ensure optimal regulatory outcomes for the industry and consumers.

We recommend that the FSRA revises the rule to clarify the responsibilities of each party (insurers, MGAs and agents) and applies direct regulatory supervision of MGAs to ensure compliance. We also recommend that the FSRA align the rule expectations with the OSFI guideline B10: third-party risk management. Accordingly, insurers would be expected to exercise due diligence to ensure that MGAs' compliance

systems meet industry guidelines and standards for initial screening, as well as conducting periodic reviews proportionate to the level of risk and criticality posed by the contracted MGA.

Additionally, section 12(1) of the Agents Regulation (O Reg 347/04) states that every insurer authorising an agent to act on its behalf must have a compliance system reasonably designed to ensure the agent's compliance. This means that multiple insurers are expected to exercise oversight over each agent. This system is inefficient and results in compliance duplication. Furthermore, as any one insurer only has visibility of a portion of the agent's business, the system is not very effective. MGAs are generally in a much better position to ensure agent compliance. Therefore, we believe that the Agents Regulation should be amended to recognise the role of MGAs and ensure a clear and optimal distribution of responsibilities between insurers and MGAs.

Setting clear and appropriate standards at every level would reduce bureaucracy, streamline responsibilities, focus resources and enhance protection for consumers while being more efficient and cost-effective.

Screening and monitoring of agents

A core aspect of MGAs is that they are independent and can work with multiple insurers. Consequently, insurers' information on an agent's activity is limited to the sale of their own products, whereas MGAs have a broader overview. MGAs are therefore often better suited to monitoring their agents' compliance with the Rules.

MGAs may also be better placed to take responsibility for certain training requirements. The proposed rule could require agents to complete non-insurer-specific training on topics such as applicable insurance regulations and other laws, making product recommendations that meet clients' needs, clear and accurate solicitation practices, and providing insurance advice to clients. In our opinion, if the MGA were responsible for ensuring the completion of these training requirements, these duplications would be eliminated.

In line with the principles set out in OSFI's B-10 Third-Party Risk Management Guideline, insurers are expected to exercise due diligence to ensure that an MGA's compliance system is adequate. This includes their screening practices. Insurers should only rely on MGAs to recommend suitable agents. MGAs should therefore also have the ability to screen agents and sponsor them for licensing when required. While an insurer may sponsor an agent, it is important to note that the agent will likely be contracted by and offer the products of other insurers too. The agent may eventually do less business with the sponsoring insurer than with others. Given the independent role of an MGA agent, there is no reason for the sponsoring insurer to have different obligations to those of other insurers with which the agent does business. The MGA has visibility of all business placed by the agent and is therefore better placed to provide sponsorship.

Strengthening reporting requirements

Agent licensing is crucial for insurers and MGAs to determine an agent's suitability. A robust licensing system that reacts swiftly to reportable events is crucial for protecting the public against potentially unsuitable insurance agents. Therefore, we recommend updating FSRA's reporting requirements to mandate that agents report significant events contemporaneously upon their occurrence. As we commented in response to the FSRA's consultation on the proposed guidance: Life Insurance Agent and MGA Licensing Suitability in 2024, some provincial insurance councils have introduced a requirement for agents to report certain significant events (e.g. bankruptcies, consumer proposals, investigations or disciplinary action by another regulator, criminal charges or convictions, certain civil proceedings or judgements) to the regulator within a prescribed timeframe of the event occurring. Contemporaneous reporting would ensure that the FSRA is made aware of these important events promptly and is able to review them earlier in order to assess the agent's ongoing suitability.

We recommend that the Rule includes reporting requirements obliging insurers, MGAs and agents to promptly report incidents of misconduct and events that may affect licensing suitability to the FSRA and, where applicable, to insurers. These amendments would help FSRA to fulfil its mandate of protecting consumers and assist insurers in respecting their oversight obligations under the Rules. Furthermore, we believe that the FSRA should amend its insurance agent licensing requirements to include the contemporaneous reporting of certain events, in addition to the examples already provided in this section.

We look forward to further discussions and collaboration with the FSRA on this rule and on regulatory initiatives that will achieve greater consumer protection, supported by a healthy and robust Canadian insurance marketplace. To this end, we encourage the FSRA to maintain dialogue with the industry, either through further consultation or by organising a technical advisory committee, to ensure that this new rule delivers the FSRA's intended outcomes for all stakeholders, particularly consumers.

We would like to thank you for giving us the opportunity to share our thoughts on the proposed rule.

Sincerely,



Giuseppina Marra, CPA auditor, ICD.D
Regulatory Affairs, Desjardins Group

Cc:

Mr. Denis Dubois, Executive Vice-President, Wealth Management and Life and Health Insurance Executive Division
Mrs. Chantal Gagné, Vice-President, Life and Health Insurance Division
Mrs. Marie-Andrée Alain, Vice-President, Compliance and Privacy Division and Office of the Chief Compliance and Privacy Officer