

## CONSUMER ADVISORY PANEL

January 16, 2024

*Delivered electronically*

Financial Services Regulatory Authority of Ontario  
25 Sheppard Ave W, Suite 100  
Toronto, ON  
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### **Re: Consultation for Proposed Guidance on Life Insurance Agent and MGA Licensing Suitability**

The Consumer Advisory Panel (CAP) welcomes the opportunity to respond to the consultation on FSRA's Proposed Guidance on Life Insurance Agent and MGA Licensing Suitability. The CAP, established to offer advice and provide input to FSRA from a consumer perspective regarding its strategic planning, rulemaking, guidance development, research, supervisory and consumer education activities, is committed to enhancing consumer protection in the financial services industry.

We commend FSRA's thorough supervisory review, as outlined in the 2019/2020 Market Conduct Summary of Life Agent Reporting Form. The Report identified gaps and a lack of clarity regarding the roles and responsibilities of insurers, Managing General Agents (MGAs), and independent agents; including, a lack of agent training and supervision, unsuitable product sales, and agent recruitment and compensation models that may lead to unfair treatment of customers. The CAP appreciates FSRA's transparency in sharing these findings and its proactive approach in addressing them. The proposed guidance represents a significant step towards ensuring the suitability of agents and MGAs in the Life Insurance industry, and safeguarding consumer interests. We acknowledge FSRA's commitment to identifying and addressing challenges within the industry.

To build on this initiative, we propose the following additional actions for FSRA's consideration:

1. **Enhanced Approach to Sector Supervision:** Implement a more robust supervisory framework to ensure compliance with regulatory standards.
2. **New Regulatory Framework:** Establish a clear framework that delineates the roles and responsibilities of insurers, MGAs, and independent agents, incorporating stringent standards for agent training, supervision, and ethical conduct.
3. **Industry Guidance:** Develop comprehensive industry guidance to foster a better understanding of best practices, ensuring a standardized approach across the life insurance sector.

4. **Enforcement Measures:** Strengthen enforcement mechanisms to deter non-compliance and penalize entities engaging in unfair business practices.
5. **Whistleblower Protection:** Implement robust whistleblower protection mechanisms to encourage individuals to report unethical or illegal activities without fear of retaliation.
6. **Consumer Education Campaign:** Launch a targeted consumer education campaign to empower consumers to make informed decisions based on a clear understanding of both the type and standard of services they should anticipate when dealing with insurers or their representatives.

In addition to these actions, we emphasize the importance of suitability as a fundamental control in agent licensing and oversight. Screening applicants and licensees for suitability better ensures that agents' integrity, independence, and competence are considered alongside educational and technical qualifications. We support FSRA's commitment to ongoing suitability assessments, performed when new licensing applications are submitted, during license renewals or reinstatements, and at any time FSRA deems appropriate. Furthermore, in line with FSRA's Unfair or Deceptive Acts or Practices Rule (UDAP Rule), we support holding an insurer or MGA responsible for consumer harm that has been incurred or is likely to occur, if there is a significant connection between the creation or elevation of risk and the conduct authorized by the insurer or MGA.

Thank you for considering our submission. We look forward to contributing to the ongoing dialogue on improving the life insurance sector.

Sincerely,  
Consumer Advisory Panel