

Life and Health Insurance Stakeholder Advisory Committee

FSRA

Financial Services Regulatory
Authority of Ontario

Date: April 5, 2023



Ontario



Agenda

1. 2023-2024 L&H Insurance priorities
2. Updates on FSRA activities in L&H Insurance
 - i. MGAs
 - ii. Life Agent initiatives
 - iii. Segregated Funds
 - iv. IAIS
3. Roundtable Discussion
 - i. What factors or changes in the L&H Insurance sector are you actively monitoring?
 - ii. What are the top risks in L&H Insurance from your perspective and how are you assessing / mitigating?
 - iii. What are the critical success factors in L&H Insurance?

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2023-24 L&H Insurance Priorities

Priority 7.1 Enhance Market Conduct oversight to protect consumers

Insurance Distribution - In the last two years, FSRA has published supervisory reports focusing on oversight in the end-to-end distribution of individual life and health insurance products and services. The findings identified consumer risks and gaps in market conduct compliance, particularly in independent distribution channels such as Managing General Agents (MGAs), where the delegation of oversight responsibilities may not be clearly defined and sufficiently monitored. In response, FSRA is:

- Developing an evidence-based regulatory framework to address potential risks and challenges posed by the MGA distribution channel.
- Continuing to build its capacity for proactive reviews of life insurance agents following the establishment of a dedicated life agent supervision team in 2020 and a supervisory framework in 2022.

Segregated Funds - FSRA continues to work with other regulators across Canada to enhance regulatory standards for segregated fund contracts, building on the recommendations in the 2017 CCIR Segregated Funds Working Group Position Paper. This work includes the planned implementation of FSRA Rules relating to deferred sales charges, which follows the February 2022 CCIR/CISRO announcement intended to stop deferred sales charges for new segregated fund contracts by June 1, 2023.



2023-24 L&H Insurance Priorities – Key Deliverables

- **Segregated Funds – DSCs**

- Implement a FSRA Rule that would ban deferred sales charges for new segregated fund contracts, prevent insurers from amending existing contracts to make such charges more onerous for customers, and require disclosure regarding further deferred sales charge deposits to existing contracts.

- **Working in partnership with other Canadian regulatory bodies, improve outcomes for segregated fund contract customers:**

- Finalize national guidance on total cost reporting disclosure requirements for segregated fund contracts.
- Consult on national guidance about the design, distribution, issuance, sale and administration of individual variable insurance contracts.
- Consult on national guidance relating to upfront compensation paid for the sale of segregated funds.

- **Enhancing insurance distribution outcomes:**

- Publish, for consultation, proposed changes to the framework for agencies with a contractual responsibility to screen, train, and/or monitor individuals under their supervision who sell life and health insurance products.



2023-24 L&H Insurance Priorities - Planned Outcomes

- **Stakeholders** have clarity and an increased understanding of FSRA's regulatory requirements with respect to the role of insurers and MGAs in the distribution channel for Life and Health products.
- **Segregated fund customers** are treated fairly and better informed, as:
 - The use of deferred sales charges in segregated fund sales will be banned
 - Industry has a clear understanding of regulatory requirements regarding the information consumers will receive about the total cost of their segregated fund contracts
 - Industry has a clear understanding of regulatory requirements with respect to the sale and administration of segregated fund contracts

Updates on FSRA Activities in L&H Insurance



Roundtable Discussion

FSRA's Board of Directors is looking to consult with the L&H Insurance SAC on forward looking items related to the future of L&H Insurance supervision and is asking the following questions, which were also posed to the SAC last year.

1. What factors or changes in the L&H Insurance sector are you actively monitoring?
2. What are the top risks in L&H Insurance from your perspective and how are you assessing / mitigating?
3. What are the critical success factors in L&H Insurance?

Thank you