



Market Conduct:

Life and Health Insurance Agent Supervision Report

Third Edition – 2021-22

May 2023

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Executive summary

Consumers buy insurance so they can have the certainty of guaranteed protection when they need it. They often see insurance as a vital part of their financial safety net. Buying life and health insurance, and insured wealth products such as segregated funds, is one of the most important purchases a consumer may make. With many options available, most consumers rely on life and health insurance agents (“life agents”) to inform them of their options, and to make sure they are buying the right product for their needs.

To promote FSRA’s vision of financial safety, fairness, and choice for Ontarians, FSRA published its Life and Health Insurance Agent Supervision Framework¹ (the “Framework”) in March 2022. The Framework has been used to test and verify life agent compliance with the *Insurance Act* (the “Act”), its regulations, and *Guidance: Conduct of Insurance Business and Fair Treatment of Customers*² (“FTC Guidance”), which includes providing appropriate advice, managing conflicts of interest, and putting the customer’s interests ahead of the insurer’s and the intermediary’s. The outcomes of those compliance reviews are detailed in this report.

What is different about FSRA’s 2021-22 Life and Health Insurance Agent Supervision Report?

During the development phase of the Framework, FSRA published the second annual *Life Agent Reporting Form (LARF) Report*³ sharing LARF outcomes for 2020-21, including updates on cases escalated to FSRA’s Regulatory Discipline Officer or Legal and Enforcement Unit in 2019-20 for potential disciplinary action.

¹ [Life and Health Insurance Agent Supervision Framework](#)

² [Guidance: Conduct of Insurance Business and Fair Treatment of Customers](#)

³ [FSRA LARF Report, Second Edition, May 10, 2021](#)

Now that the Framework has been operationalized, in addition to sharing outcomes of LARF reviews and historic disciplinary escalations, FSRA's 2021-22 annual report has been rebranded the *Life and Health Insurance Agent Supervision Report* and includes outcomes of life agent business practice examinations, total administrative monetary penalties issued against life agents through the Framework, and life agent conformity with established industry best practices. Taken together, these 2021-22 supervision outcomes provide a view into the overall compliance practices of life agents.

What were the LARF outcomes?

FSRA received 61 LARFs from life insurance companies or Managing General Agencies ("MGAs") in 2021-22. Thirty-five cases were closed within the Life Agent Unit, 15 cases were escalated to Regulatory Discipline Officers and 11 cases were escalated to Legal and Enforcement. In 2020-21, 4 cases were escalated to Regulatory Discipline Officers and 24 cases were escalated to Legal and Enforcement. In 2019-20, 10 cases were escalated to Regulatory Discipline Officers and 8 cases were escalated to Legal and Enforcement.

As of December 31, 2022, \$10,000 in administrative monetary penalties were issued by Regulatory Discipline Officers for the 2019-20 cases.

As of December 31, 2022, \$224,000 in administrative monetary penalties were issued by Legal and Enforcement for 2020-21 cases and \$41,000 were issued for 2019-20 cases.

What were the life agent examination outcomes?

FSRA conducted 115 examinations of life agent business practices in 2021-22. Thirty *ad hoc* examinations were conducted concurrently with LARF reviews, 67 examinations were conducted through proactive campaigns, and 18 *ad hoc* examinations were conducted through internal referrals or external publications. Seventy-five cases were closed within

the Life Agent Unit, and a total of 40 examination cases were escalated to Regulatory Discipline Officers.

As of December 31, 2022, \$14,500 of administrative monetary penalties were issued by Regulatory Discipline Officers.

What were the best practices outcomes?

The 115 life agent examinations conducted in 2021-22 included the review of 405 client files. Of the 115 examination cases, 55 (48 percent) of life agents were identified as having best practices issues. The top three best practices issues identified were the absence of “reason why” letters, contemporaneous notes, and insurance needs analysis.

Why are industry best practices important?

Best practices are key to promoting consistent standards for the life and health insurance industry to demonstrate suitability of insurance sales and compliance with FTC Guidance. If an unsuitable product is sold to a client, it increases the risk for consumer harm. As indicated in the Framework publication, FSRA intends to consult with the industry on integrating best practices enforcement into the Framework in support of fair treatment of customers.

How will the LARF and examination processes continue to improve?

To promote FSRA’s vision of financial safety, fairness, and choice for Ontarians, operational efficiencies and industry burden reduction are priorities under the Framework. The Life Agent Unit is in the execution phase of multiple projects to modernize its regulatory efforts, such as an online life agent questionnaire, an integrated online life agent examination program, and an online life agent misconduct reporting portal. These

operational enhancements are driven by a continuous improvement model that includes timely escalations to Regulatory Discipline Officers or the Legal and Enforcement Unit.

In addition, a strategic plan to enhance data collection and analysis has been established in the Life Agent Unit. The unit is building maturity in its risk-based approach through the implementation of analytics-driven tools to facilitate outcomes-focused and principles-based regulation. Through collation of multiple data sources, trends relating to LARFs filed by insurers and MGAs are being captured, and underreporting of unsuitable life agents in the Ontario market appears to be indicated and will be a continued area of focus for FSRA.

Introduction

FSRA is an independent regulatory agency that places a strong emphasis on improving consumer protection in Ontario. FSRA promotes high standards of business conduct and good administration of wealth and insurance products by regulating financial services sectors, including life and health insurance.

Life and health insurance agents (“life agents”) are intermediaries who sell and service insurance products on behalf of approximately 70 insurance companies licensed in Ontario. FSRA licenses and supervises almost 60,000 life agents who play a vital role in ensuring Ontarians have access to the advice and products they need to financially protect themselves and their families.

On January 1, 2021, FSRA implemented *Guidance: Conduct of Insurance Business and Fair Treatment of Customers*⁴ (“FTC Guidance”) adopted by the Canadian Council of Insurance Regulators (“CCIR”) and the Canadian Insurance Services Regulatory Organizations (“CISRO”). The FTC Guidance sets expectations for the conduct of insurers and other entities FSRA regulates under the *Insurance Act* (the “Act”) with respect to the fair treatment of customers. The FTC Guidance requirements and expectations apply to all insurance licensees, including life agents. Life agent suitability is essential in achieving fair treatment of customers. This starts with screening life agents for suitability, and it continues with monitoring their business practices throughout their careers.

In March 2022, FSRA published its *Life and Health Insurance Agent Supervision Framework*⁵. The Framework was developed in phases to accommodate actively supervising life agents, while simultaneously developing human resources, risk profiling, and operational tools. The compliance requirements and expectations considered within the Framework are not new to life agents, insurance companies, Managing General

⁴ [Guidance: Conduct of Insurance Business and Fair Treatment of Customers](#)

⁵ [Life and Health Insurance Agent Supervision Framework](#)

Agencies (“MGAs”), or other intermediaries. The Framework has been used to test and verify life agent compliance with the Act, its regulations, and FTC Guidance, which includes providing appropriate advice, managing conflicts of interest, and putting the consumer’s interests first.

FSRA began pilot programs in January 2021 and June 2021 to conduct examinations of risk-identified life agents that had been the subject of a Life Agent Reporting Form (“LARF”) or consumer complaint resulting in a Letter of Warning since FSRA’s inception in June 2019. Outcomes of the pilot programs were included in the published Framework. To align with previous industry recommendations, FSRA prioritized LARFs in the development of the Framework and moved LARF management to the Life Agent Unit. To promote process efficiencies and risk analytics, life agents who were the subject of a LARF review were also subject to a parallel *ad hoc* examination by the Life Agent Unit.

The Life Agent Unit also conducted *ad hoc* examinations of risk-identified life agents referred by FSRA’s Licensing Compliance Unit (life agent licensing management), Complaints and Risk Assessment Unit (consumer complaints management), or other sources.

Starting in November 2021, the first of three proactive thematic examination campaigns began under the new Framework. The first campaign included life agents who are dually licensed with FSRA as mortgage brokers and were subject to disciplinary action by another regulator since FSRA inception in June 2019. The second campaign included life agents who were the subject of a consumer complaint and received a letter of warning from FSRA after May 15, 2021 (i.e., since the pilot program). The third campaign focused on life agents who misrepresented continuing education credits since system enhancements were made by FSRA’s Licensing Compliance Unit in September 2022.

During the development phase of the Framework, FSRA published the second annual LARF Report⁶ sharing LARF outcomes for 2020-21, including updates on cases escalated to FSRA's Regulatory Discipline Officer or Legal and Enforcement Unit in 2019-20 for potential disciplinary action.

Now that the Framework has been operationalized, in addition to sharing outcomes of LARF reviews and disciplinary escalations, FSRA's 2021-22 annual report has been rebranded the *Life and Health Insurance Agent Supervision Report*, and now includes outcomes of life agent business practice examinations, total administrative monetary penalties issued against life agents through the Framework, and life agent conformity with established industry best practices.

Annual reporting of life agent supervision outcomes helps achieve FSRA's statutory objectives by contributing to public confidence through promoting transparency, disclosure of information, and deterring deceptive or fraudulent conduct, practices, and activities. This not only demonstrates FSRA's regulatory effectiveness, but it is of key importance to protecting Ontario consumers by identifying any inappropriate or unfair practices identified by FSRA in the life and health insurance sector so that insurers and intermediaries may review and improve their market conduct.

⁶ [FSRA LARF Report, Second Edition, May 10, 2021](#)

LARF disposition and status report – 2021-22

Ontario Regulation (“O. Reg.”) 347/04⁷ under the Act requires insurers to establish and maintain a system that is reasonably designed to ensure that each agent representing an insurer complies with the Act, its regulations, and agent licensing requirements. This insurer obligation exists for all distribution channels, including MGAs.

The O. Reg. also states that an insurer shall report if it has reasonable grounds to believe that an individual is not suitable to carry on business as an agent. To protect consumers from agents who are not suitable, insurers should have an established mechanism to monitor their agents and report findings of unsuitable agents to FSRA and other appropriate parties in a timely manner. Although not statutorily required, MGAs may also report unsuitable agents to FSRA. Insurers and MGAs typically utilize the LARF⁸ document developed by the Canadian Life and Health Insurance Association (“CLHIA”) to report unsuitable life agents to FSRA, although specific use of the LARF document is not a FSRA requirement.

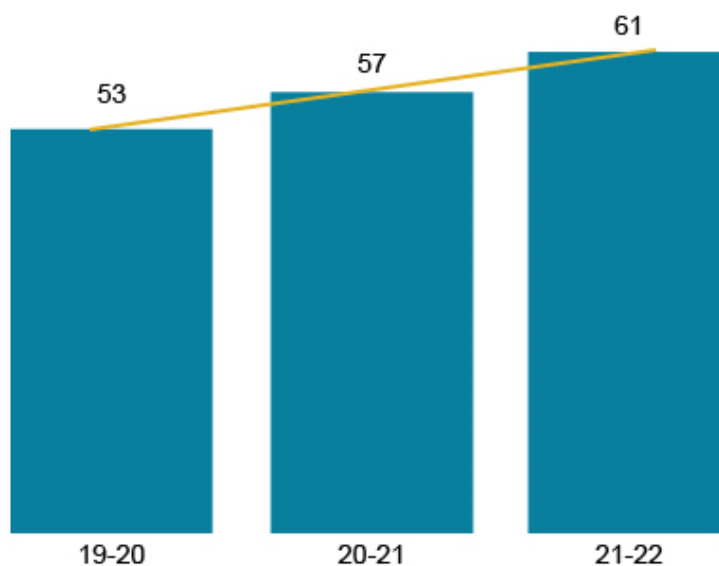
The chart below is a year-to-year comparison of LARFs received since FSRA’s inception in June of 2019. For 2019-20, a total of 53 LARFs were received⁹. For 2020-21, a total of 57 LARFs were received (8 percent increase). For 2021-22 a total of 61 LARFs were received (7 percent increase).

⁷ [Insurance Act, R.S.O. 1990 O. Reg. 347/04\(12\)](#)

⁸ Please see Appendix A for CLHIA LARF template.

⁹ Reported in 2020 as 52. A data-cleaning project was executed and a correction has been made.

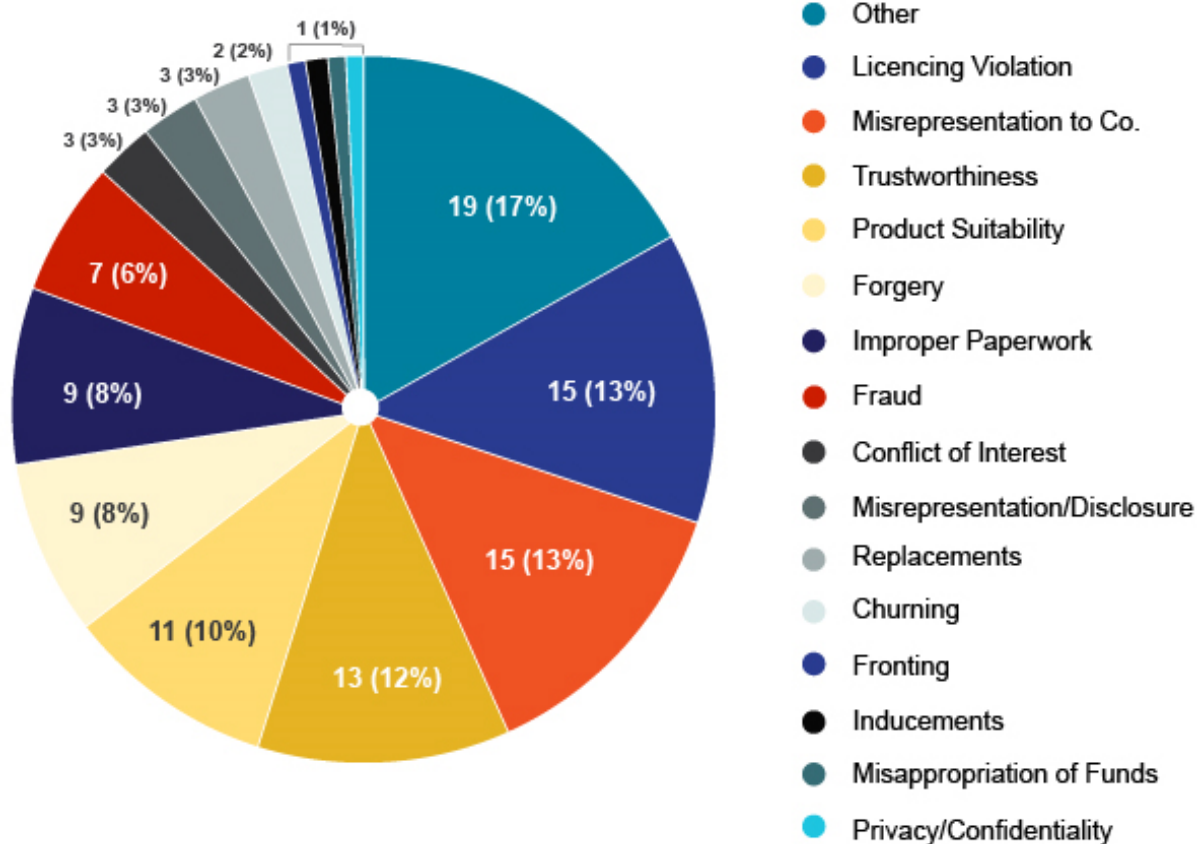
Number of LARFs received (Year to Year Comparison)



Through the annual publication of LARF outcomes since FSRA's inception, and the prioritizing of LARFs in the development of the Framework, FSRA has been encouraging industry reporting of life agent suitability concerns. In this regard, the year-to-year increase in LARFs received does not necessarily represent an increase in life agent misconduct.

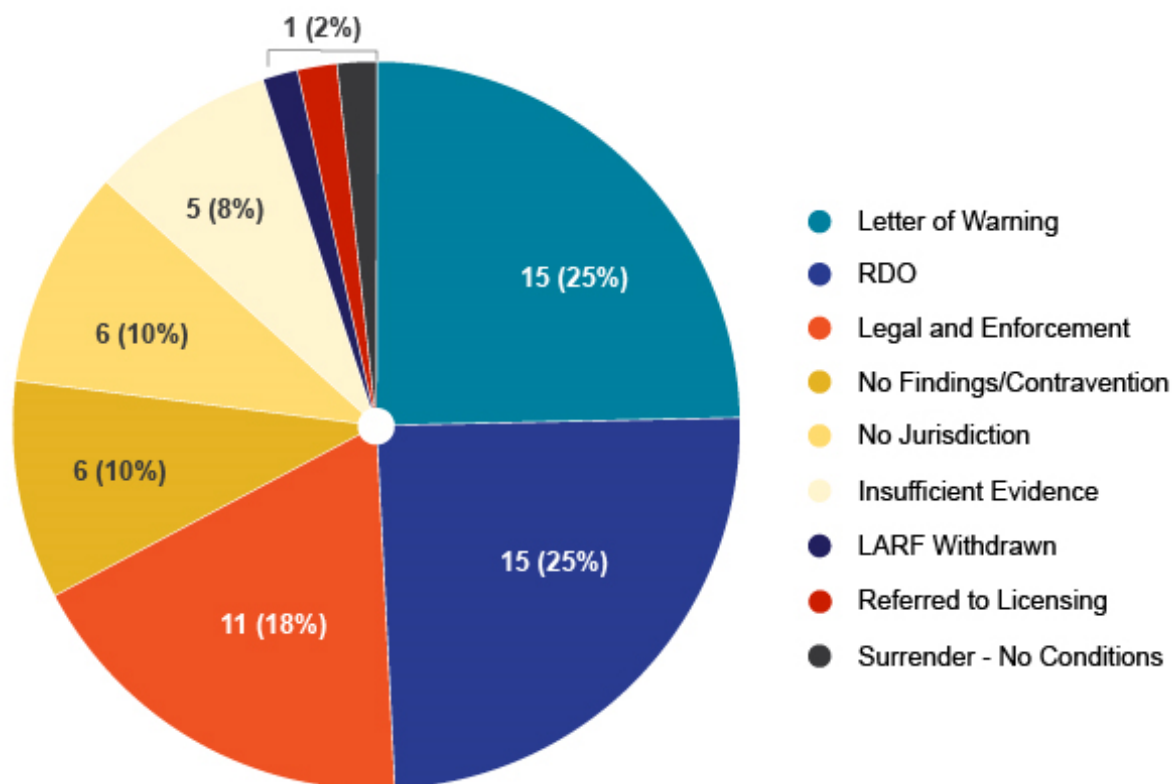
Insurers and MGAs may report more than one type of misconduct on the LARF, and multiple types of misconduct were alleged in the majority of the LARFs received by FSRA during the reporting period. The chart below identifies the types and counts of alleged life agent misconduct reported to FSRA in 2021-22.

Life Agent Unit LARF Misconduct Type 2021-22



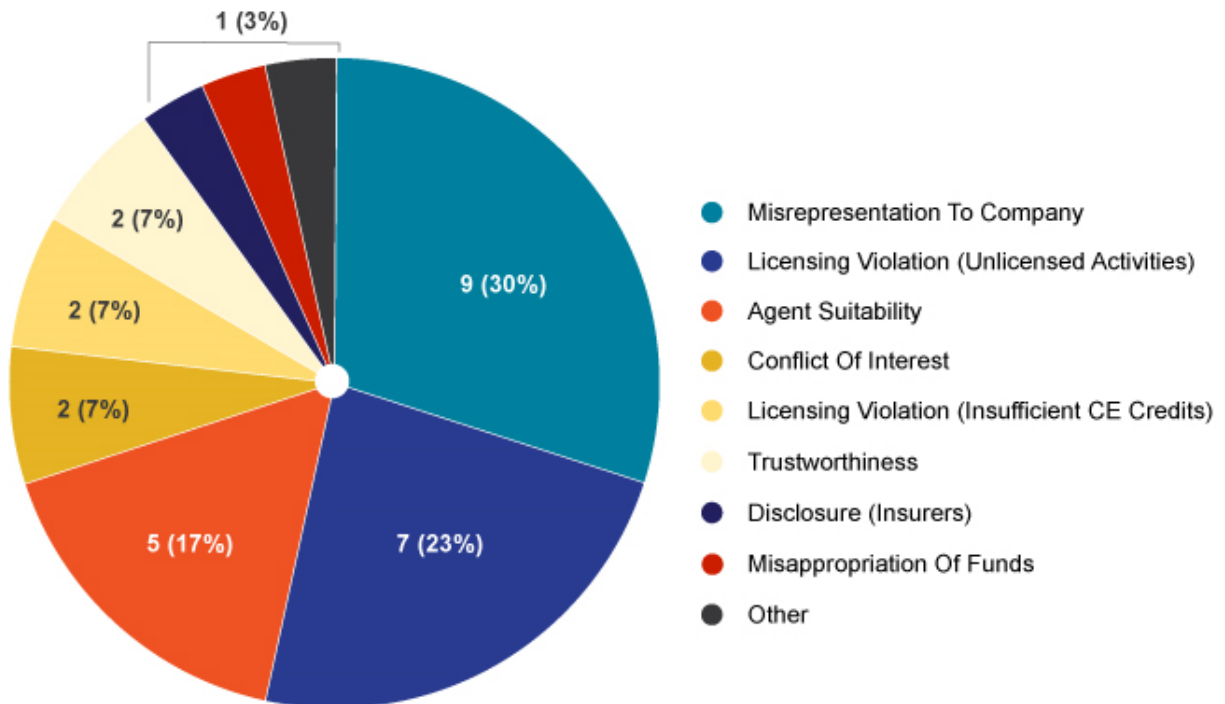
FSRA has taken steps to ensure that a consistent approach is followed to evaluate submitted LARFs. The disposition outcomes in the chart below are based on the Life Agent Unit's analysis of LARFs received during the reporting period. FSRA utilizes an evidence-based approach to identify LARF cases to be closed within the Life Agent Unit, or to be escalated to Regulatory Discipline Officers or FSRA's Legal and Enforcement Unit for further review. If an agent is found to be unsuitable, FSRA will take enforcement action.

Life Agent Unit LARF Dispositions 2021-22



Of the 61 LARFs received by FSRA, 35 (57 percent) cases were closed within the Life Agent Unit. These cases include 15 Letters of Warning arising from multiple counts of the following 9 identified contraventions of the *Act* or its regulations.

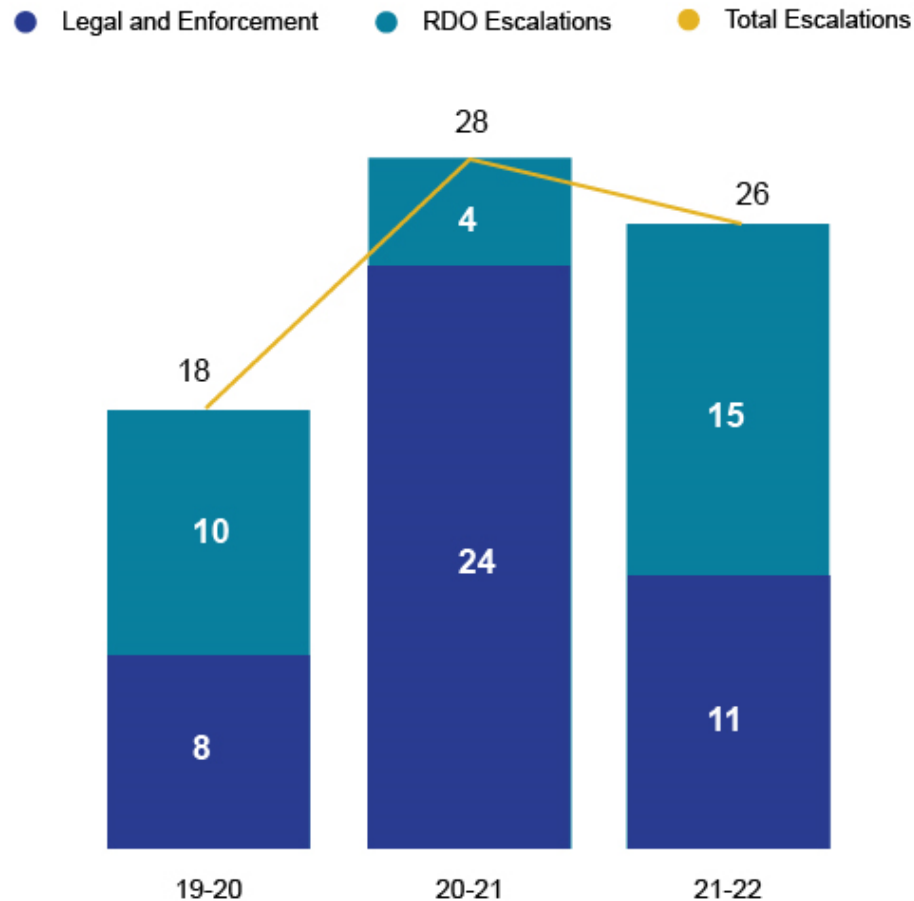
Life Agent Unit LARF Dispositions 2021-22 Letter of Warning



Escalated LARF disposition and status report – 2021-22

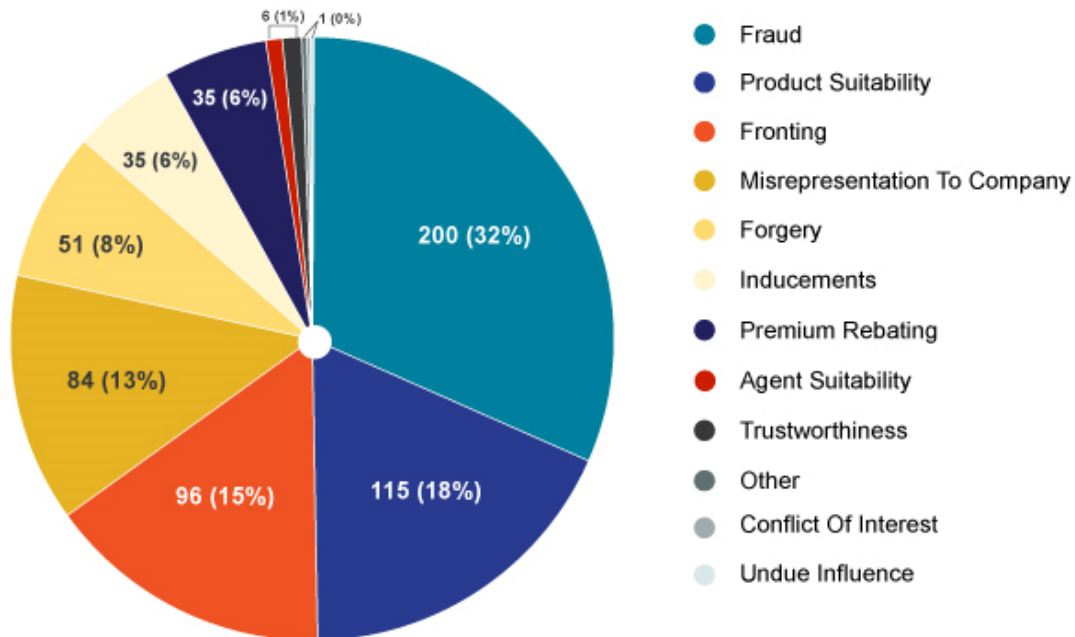
The chart below is a year-to-year comparison of LARF cases escalated to Regulatory Discipline Officers or FSRA's Legal and Enforcement Unit since FSRA's inception in June of 2019. For 2019-20, a total of 18 LARF cases were escalated. For 2020-21, a total of 28 cases were escalated (56 percent increase). For 2021-22, a total of 26 cases were escalated (7 percent decrease).

Number of Escalated LARFs (Year to Year Comparison)



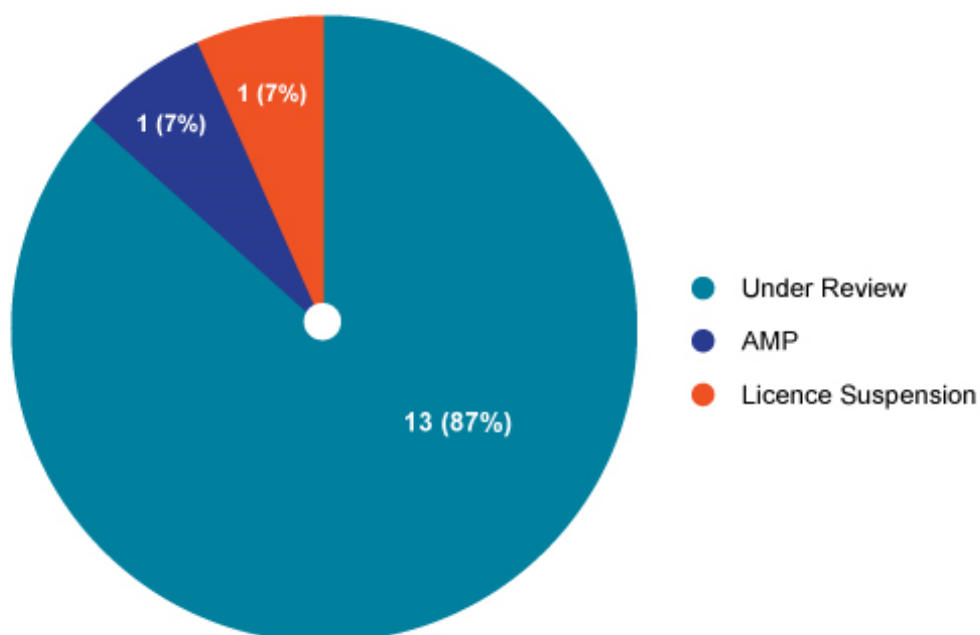
Of the 61 LARFs received by FSRA in 2021-22, the Life Agent Unit escalated 15 (25 percent) cases to Regulatory Discipline Officers, and 11 (18 percent) cases to FSRA's Legal and Enforcement Unit. These 26 (43 percent) escalated cases arise from multiple counts of 12 potential contraventions of the *Act* or its regulations identified by the Life Agent Unit for further review and final determination.

Life Agent Unit LARF Disposition 2021-22 – Escalation to Legal and Enforcement Unit



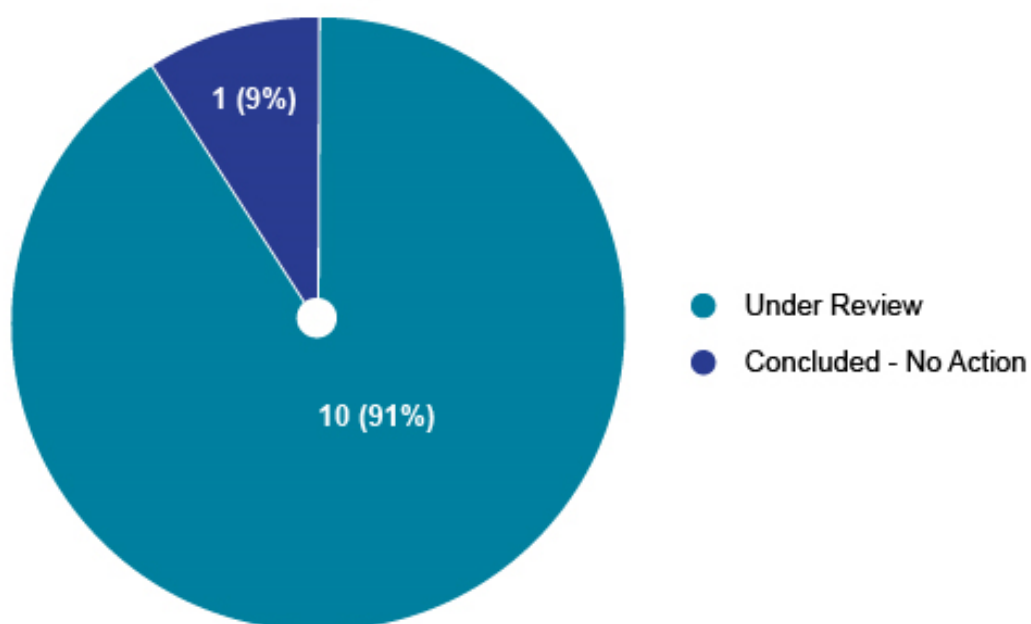
Of the 15 cases escalated to Regulatory Discipline Officers, as of December 31, 2022, 13 (87 percent) are under review, 1 (7 percent) led to a licencing suspension, and 1 (7 percent) resulted in an administrative monetary penalty.

Escalated RDO LARFs 2021-22



Of the 11 cases escalated to Legal and Enforcement, as of December 31, 2022, 10 (91 percent) are under review and 1 (9 percent) concluded with no action.

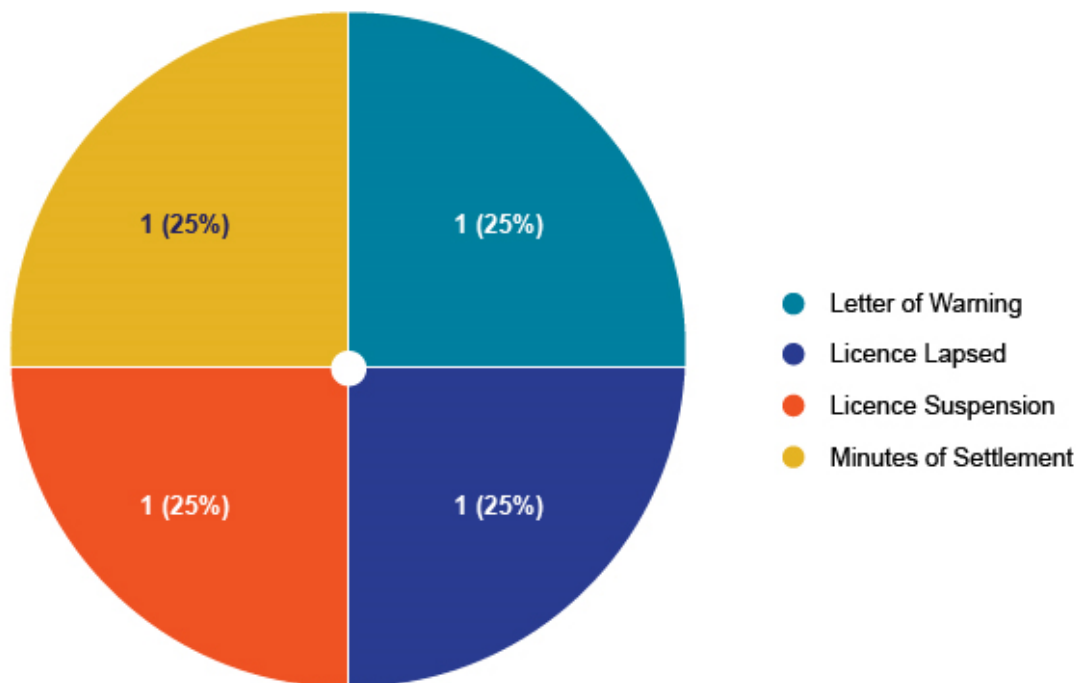
Escalated Legal and Enforcement LARFs 2021-22



Escalated LARF disposition and status update – 2020-21

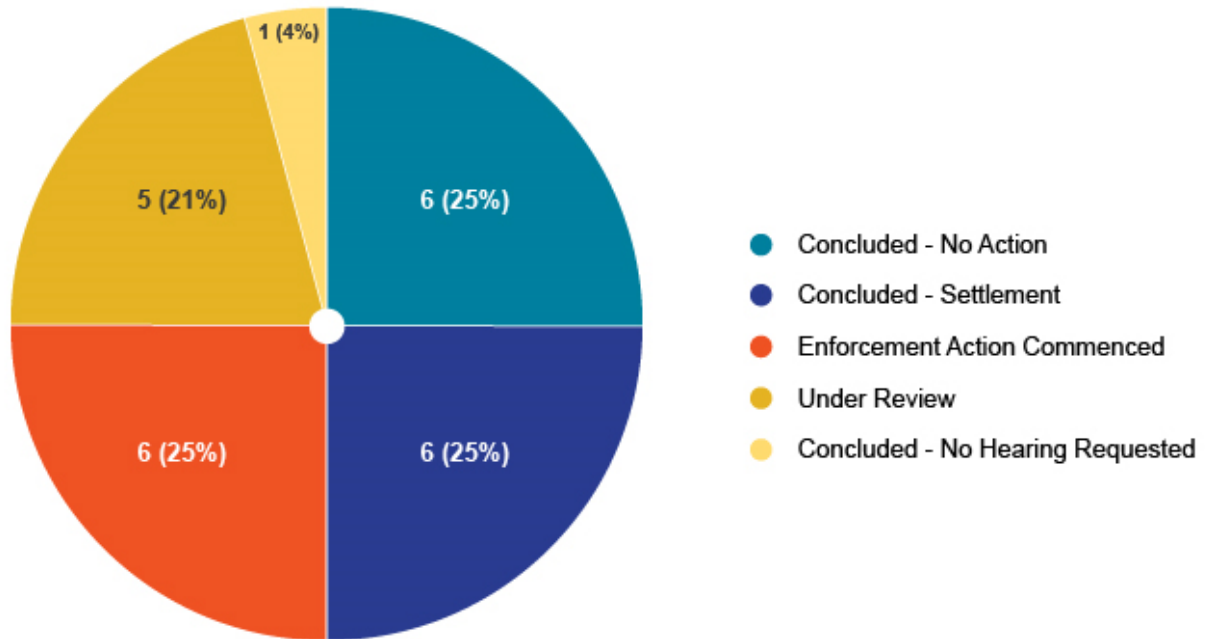
For 2020-21, there were 4 LARFs escalated to Regulatory Discipline Officers. One (25 percent) received a letter of warning, 1 (25 percent) concluded due to a lapsed licence, 1 (25 percent) led to a licence suspension, and 1 (25 percent) was disposed through Minutes of Settlement (negotiated Administrative Monetary Penalty).

Escalated RDO LARFs 2020-21



For 2020-21, there were 24 LARF cases escalated to Legal and Enforcement. Six (25 percent) concluded with no action, 6 (25 percent) were disposed through Minutes of Settlement (negotiated Administrative Monetary Penalty), 6 (25 percent) led to the commencement of enforcement actions, 5 (21 percent) are under review, and 1 (4 percent) concluded with no hearing requested.

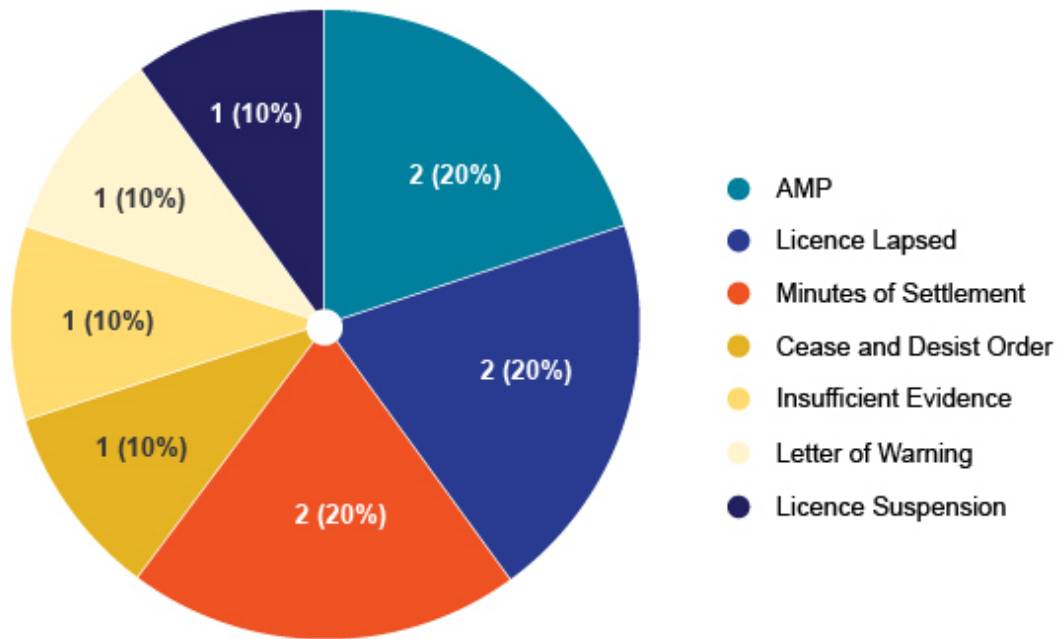
Escalated Legal and Enforcement LARFs 2020-21



Escalated LARF disposition and status update – 2019-20

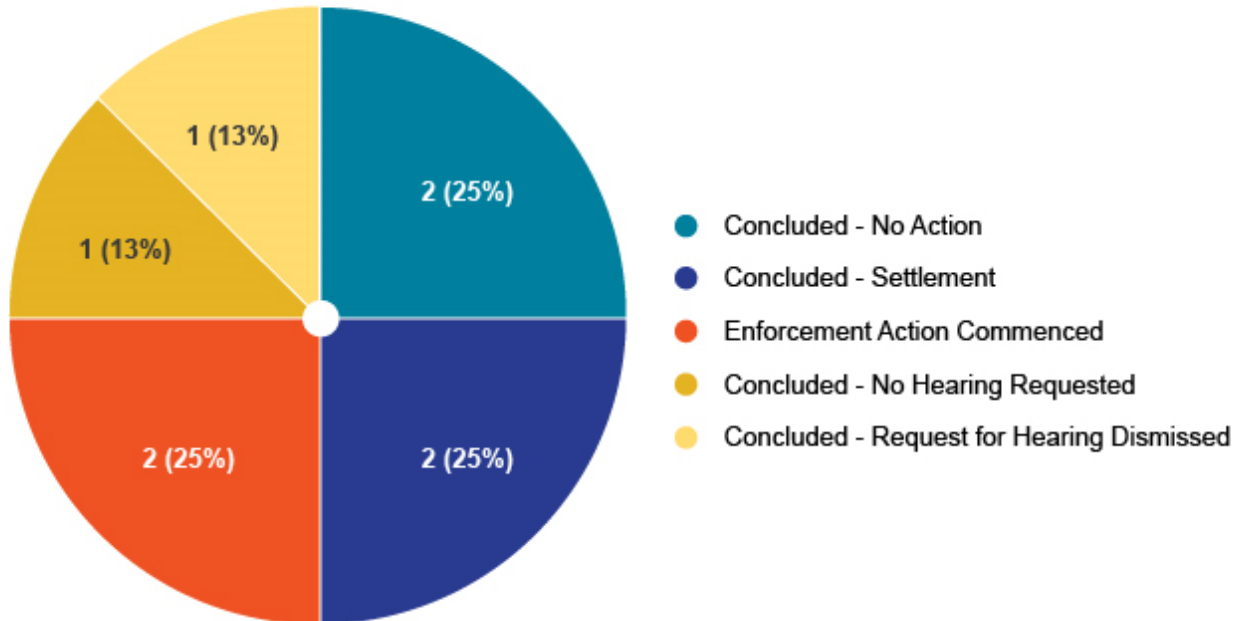
For 2019-20, there were 10 cases escalated to RDOs. Two (20 percent) cases led to administrative monetary penalties, 2 (20 percent) concluded due to a lapsed licence, 2 (20 percent) were disposed through Minutes of Settlement (negotiated Administrative Monetary Penalty), 1 (10 percent) led to a cease-and-desist order, 1 (10 percent) had insufficient evidence, 1 (10 percent) received a letter of warning, and 1 (10 percent) led to a licence suspension.

Escalated RDO LARFs 2019-20



For 2019-20, there were 8 cases escalated to Legal and Enforcement. Two cases concluded with no action, 2 (25 percent) were disposed through Minutes of Settlement (negotiated Administrative Monetary Penalty), 2 (25 percent) led to the commencement of enforcement actions, 1 (13 percent) concluded with no hearing requested, and 1 (13 percent) concluded with a request for hearing dismissed.

Escalated Legal and Enforcement LARFs 2019-20



Administrative monetary penalties issued – LARF cases

For 2019-20, 2 LARFs were escalated to RDOs that led to administrative monetary penalties. A total of \$10,000 of administrative monetary penalties were issued.

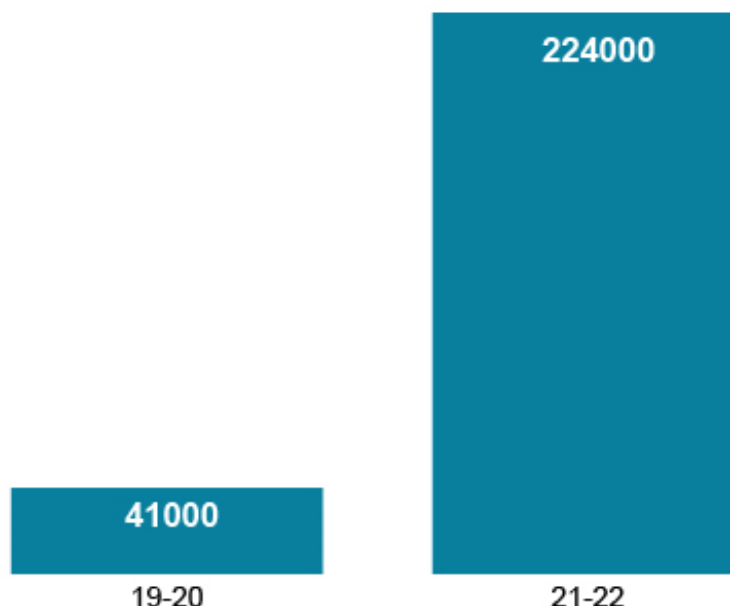
Escalated LARFs AMP Amount (RDO)



For 2020-21, as of December 31, 2022, 7 LARFs leading to administrative monetary penalties were escalated to the Legal and Enforcement Unit. A total of \$224,000 of administrative monetary penalties were issued.

For 2019-20, as of December 31, 2022, 4 LARFs leading to administrative monetary penalties were escalated to the Legal and Enforcement Unit. A total of \$41,000 of administrative monetary penalties were issued.

Escalated LARFs AMP Amount (Legal and Enforcement)



LARF concluding comments

Given there are almost 60,000 life licensed agents in Ontario, FSRA is concerned there may be underreporting of unsuitable life agents in Ontario. FSRA considers life agent suitability to be a priority area for supervision and the Life Agent Unit will continue to take appropriate action on LARFs to ensure consumer protection.

Life agent examination report – 2021-22

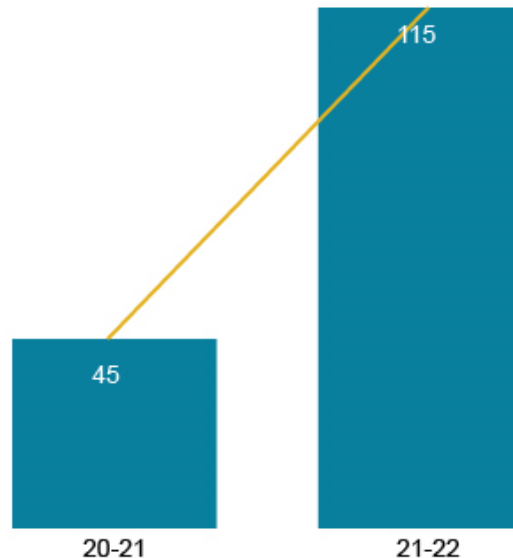
The life agent examination program is designed to test and verify life agents' compliance with the Act, its regulations, and FTC Guidance, which includes providing appropriate advice, managing conflicts of interest, and putting the consumer's interests first. The life agent examination program established under the Framework consists of six-steps:

1. notice of examination, with instructions to complete and attest to the questionnaire
2. review the completed questionnaire
3. request for life agent client cases
4. review life agent client cases to verify compliance with the Act and industry best practices
5. life agent interview
6. closing letter confirming life agent examination outcomes

To promote FSRA's vision of financial safety, fairness, and choice for Ontarians, operational efficiencies and industry burden reduction are priorities under the Framework. The Life Agent Unit is in the execution phase of multiple projects to modernize its regulatory efforts, including continuous improvement of both an online life agent questionnaire and an integrated online examination program. This includes taking a risk-based approach to selecting life agents for examination, which is reflected in the thematic examinations detailed below.

The chart below is a year-to-year comparison of life agent examinations conducted by FSRA under the Framework. For 2020-21, a total of 45 proactive life agent examinations were conducted (Pilot 1 campaign) consisting of risk-identified life agents who were the subject of a LARF since FSRA's inception on June 8, 2019 to December 31, 2020. Outcomes of the Pilot 1 campaign were reported by FSRA within the published Framework. For 2021-22, a total of 115 life agent examinations were conducted, marking a 156 percent increase in proactive examinations.

Number of Exams conducted (Year to Year Comparison)



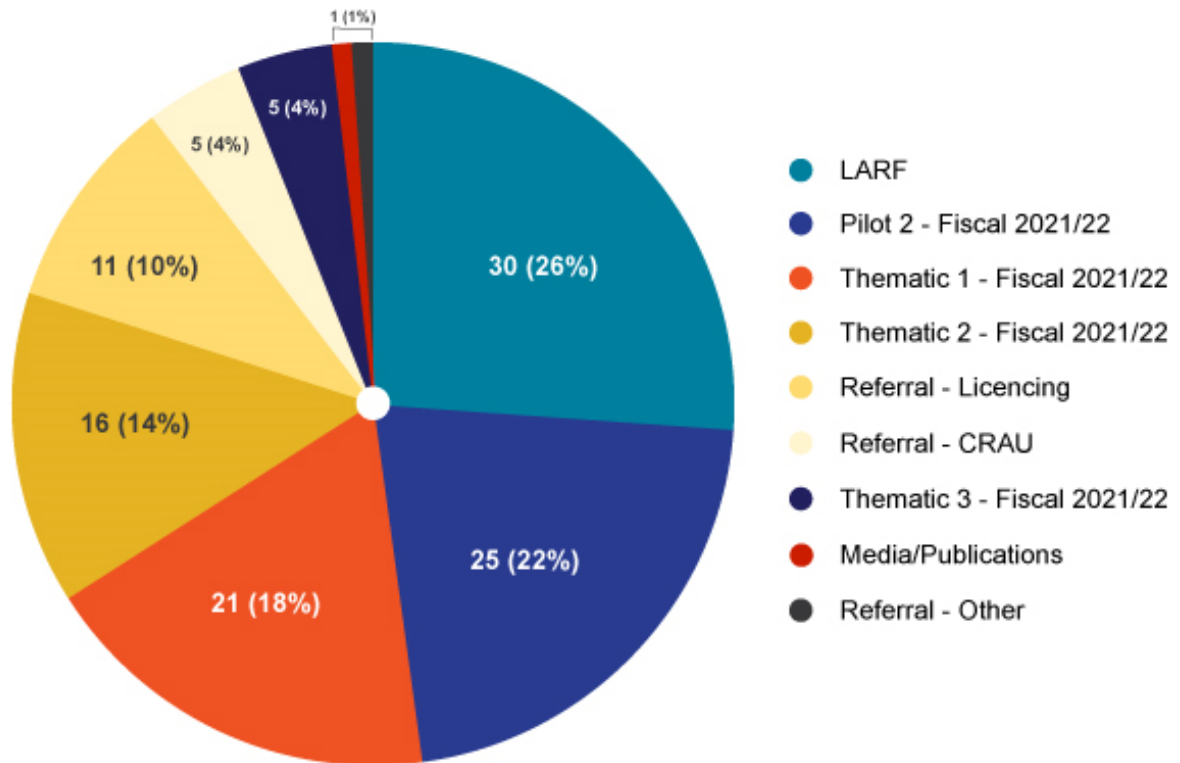
As detailed in the chart below, the 115 life agent examinations were conducted over 4 proactive examination campaigns, identified as Pilot 2, Thematic 1, Thematic 2, Thematic 3, and *ad hoc* examinations.

- The Pilot 2 campaign consisted of 25 (22 percent) examinations of risk-identified life agents, including 17 life agents who had received a letter of warning from an initial pool of approximately 350 life agents who had been the subject of a consumer complaint between FSRA's inception on June 8, 2019, and May 15, 2021. This campaign also included 8 risk-identified life agents from an initial pool of 19 who had been the subject of a LARF between the launch of the Pilot 1 campaign on January 1, 2021, and May 15, 2021.
- The Thematic 1 campaign consisted of 21 (18 percent) examinations of risk-identified agents that were dually licensed as both life and health insurance agent and mortgage agents, and were subject to disciplinary action by another regulator as of November 25, 2021.

- The Thematic 2 campaign consisted of 16 (14 percent) examinations of risk-identified life agents who had been the subject of a consumer complaint and received a letter of warning between May 15, 2021, and November 25, 2021 (i.e., after the Pilot 2 period).
- The Thematic 3 campaign is ongoing, but in 2021-22, consisted of 5 (4 percent) examinations of risk-identified life agents who misrepresented their continuing education credits since system enhancements were made by FSRA's Licensing Compliance Unit in September 2022¹⁰.
- *Ad hoc* examinations of risk-identified agents were conducted concurrently with LARF reviews, or through referrals from FSRA's Licensing Compliance Unit (life agent licensing management) and Complaints and Risk Assessment Unit (consumer complaints management). Thirty (26 percent) examinations were commenced concurrently with LARF reviews, 11 (10 percent) examinations were referred by the Licensing Compliance Unit, 5 (4 percent) examinations were referred by the Complaints and Risk Assessment Unit, 1 (1 percent) examination was referred by other sources, and 1 examination commenced from industry trade publications.

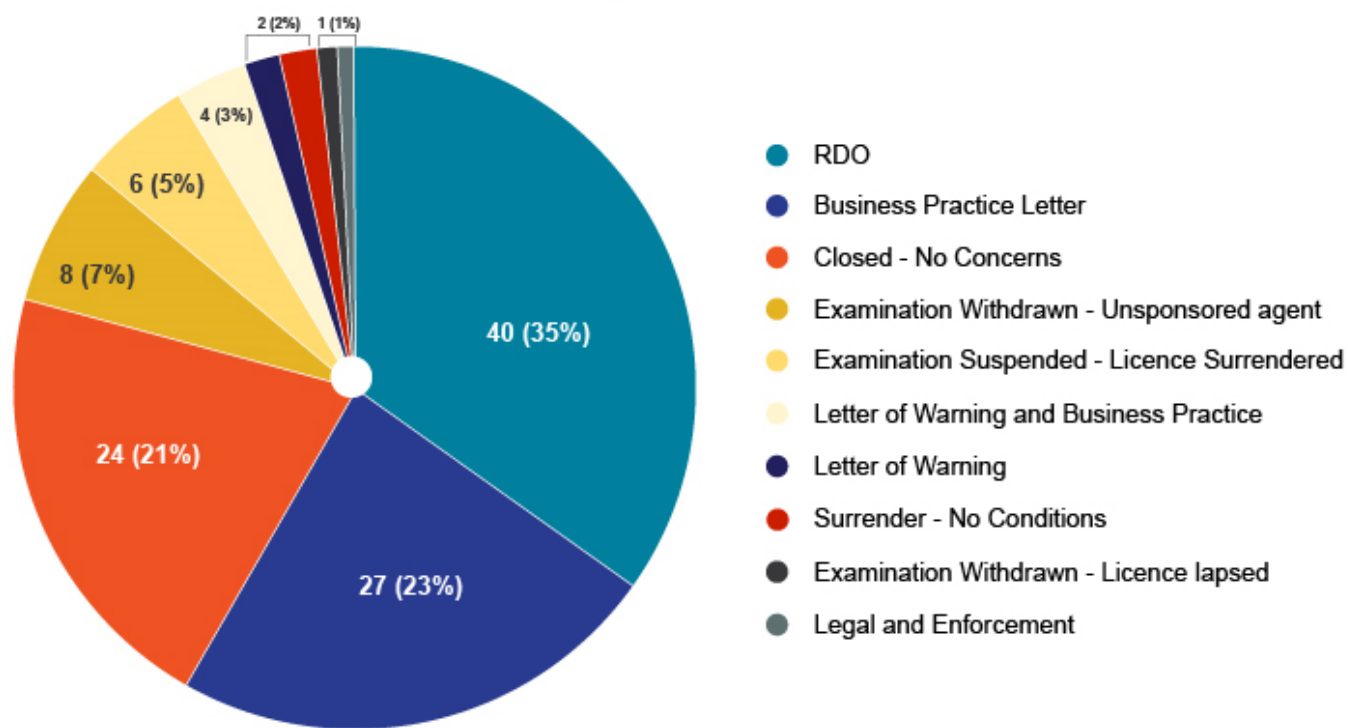
¹⁰ [Guidance: Life Agent Reporting Requirements and Related Insurer Obligations](#)

Exam Origin 2021-22



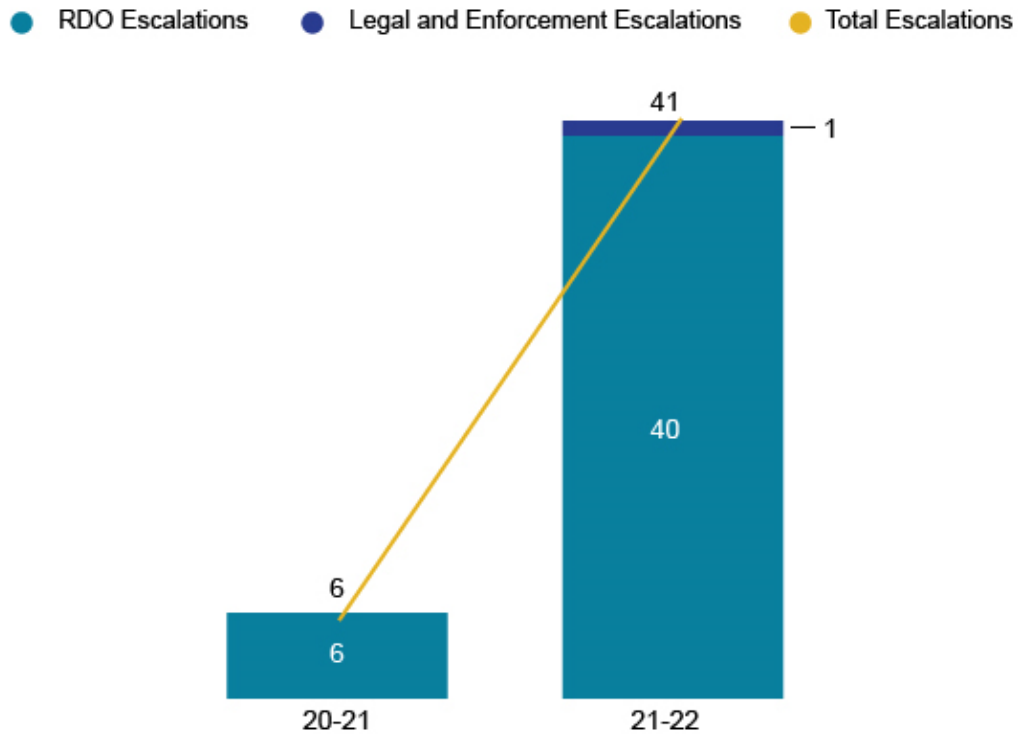
Of the 115 proactive examinations conducted by the Life Agent Unit, 40 cases (35 percent) were escalated to Regulatory Discipline Officers, 27 (23 percent) were issued a business practice letter, 24 (21 percent) were closed with no concerns, 8 (7 percent) were withdrawn due to the agent being unsponsored, 6 (5 percent) were suspended due to licence surrender, 4 (3 percent) were issued a letter of warning and business practice letter, 2 (2 percent) were issued a letter of warning, 2 (2 percent) surrendered with no condition, 1 was withdrawn due to licence lapse, and 1 was escalated to Legal and Enforcement.

Exam Dispositions 2021-22



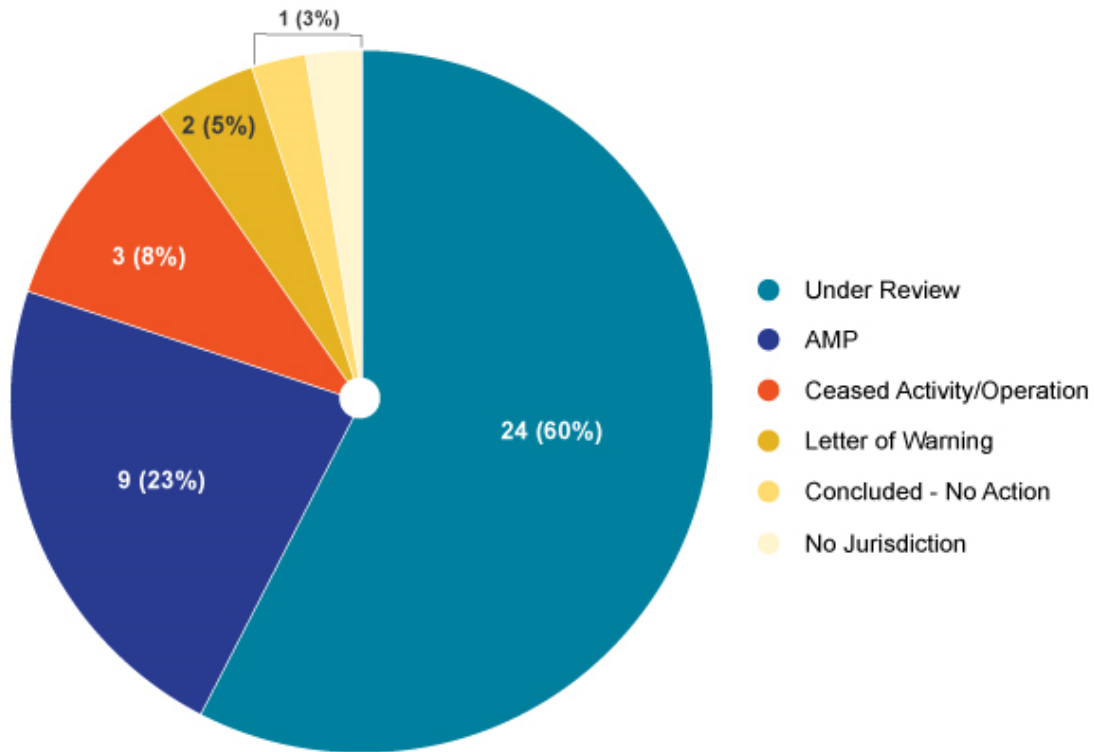
For 2020-21, 6 examination cases were escalated to Regulatory Discipline Officers or FSRA's Legal and Enforcement Unit. For 2021-22, there was a 583 percent increase and a total of 41 examination cases were escalated.

Number of Escalated Exams (Year to Year Comparison)



For the 40 examination cases that were escalated to Regulatory Discipline Officers, as of December 31, 2022, 24 (60 percent) are under review, 9 (23 percent) were issued administrative monetary penalties, 3 (8 percent) resulted in ceased activity/operation, 2 (5 percent) were issued a letter of warning, 1 (3 percent) conclude with no action, and 1 (3 percent) concluded due to no jurisdiction.

RDO Dispositions for escalated Exams 2021-22

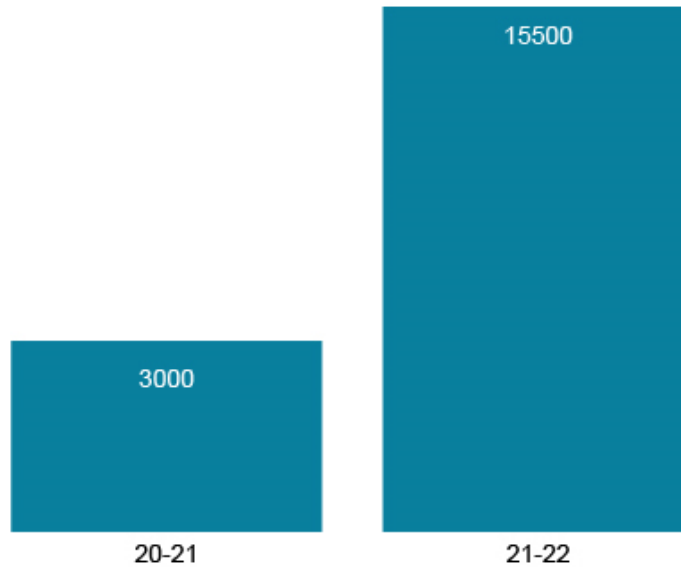


Administrative monetary penalties issued – examinations

For the 9 examination cases that were escalated to Regulatory Discipline Officers and resulted in administrative monetary penalties in 2021-22, a total of \$14,500 of administrative monetary penalties were issued.

For the 2 examination cases that were escalated to Regulatory Discipline Officers and resulted in administrative monetary penalties in 2020-21, a total of \$3,000 of administrative monetary penalties were issued.

Escalated Exams AMP Amount (RDO)

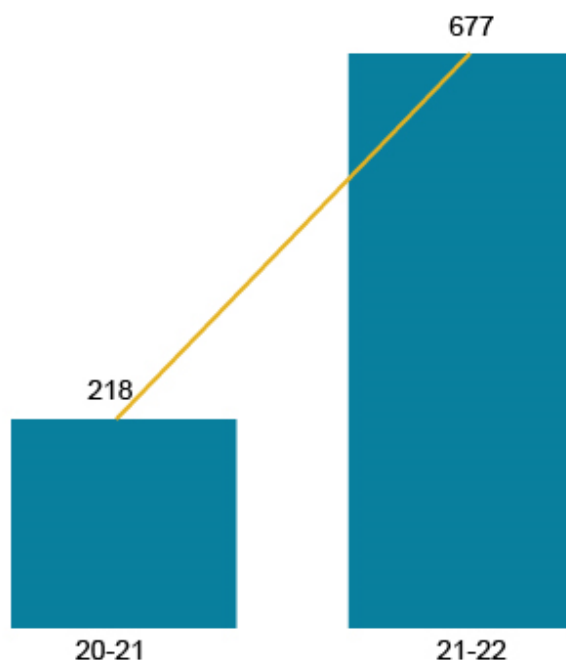


Best practice issues identified – examinations

Best practices are key to promoting consistent standards for the life and health insurance industry to demonstrate suitability of insurance sales and compliance with FTC Guidance. If an unsuitable product is sold to a client, there is increased risk of consumer harm.

The chart below is a year-to-year comparison of best practices issues identified during life agent examinations. For 2020-21, 218 counts of best practices issues were identified in 45 examination cases. For 2021-22, there was a 211 percent increase and a total of 677 counts of best practices issues were identified in 115 exam cases.

Counts of Best Practices Issues (Year to Year Comparison)



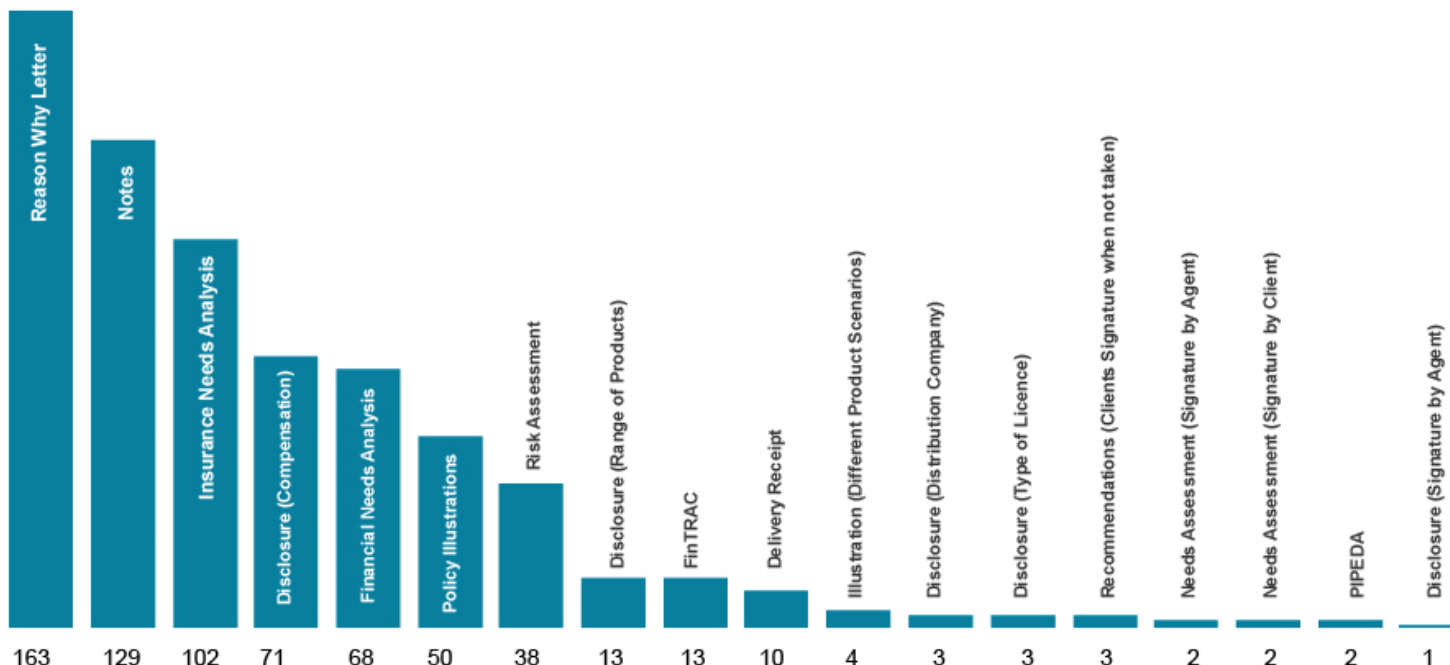
The 115 life agent examinations conducted in 2021-22 included the review of 405 client files. Of the 115 examination cases, 55 (48 percent) of life agents were identified as having best practices issues. The top three best practices issues identified were the absence of “reason why” letters, contemporaneous notes, and insurance needs analysis.

A “reason why” letter is a plain-language summary to the client outlining product recommendations and the rationale for the product purchased. Contemporaneous notes provide a record of all client interactions, and the steps taken by the agent to inform the client and support suitability of the sale. An insurance needs analysis helps determine the most suitable product and coverage amount for the client. These types of documents help demonstrate that the agent provided detailed and informed professional advice, that the consumer understood the product they purchased, and that the product sold put the consumer’s interests first.

The 55 examination cases with best practices issues consisted of 163 counts of no reason why letter, 124 counts of no notes, 97 counts of no insurance needs analysis, 71 counts of

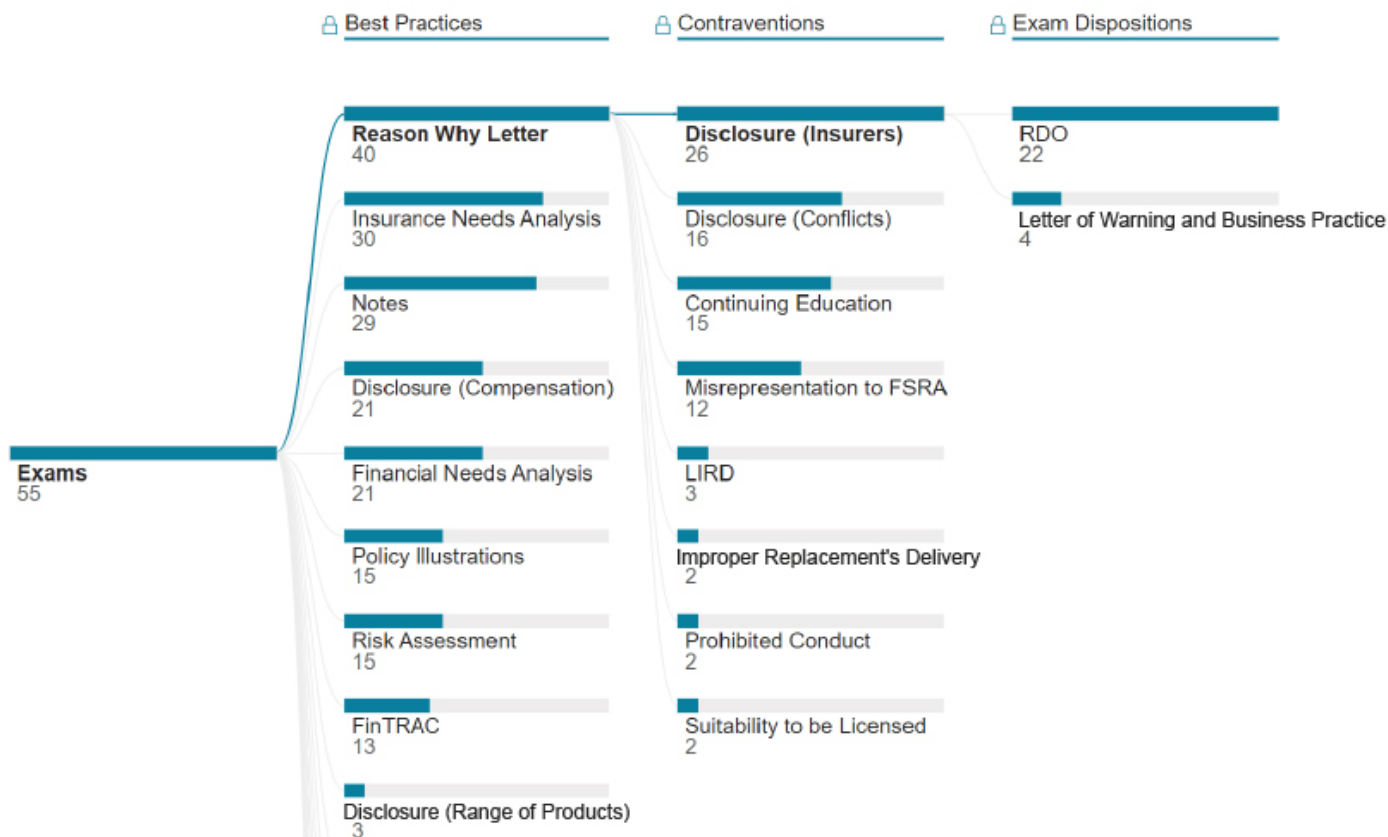
no disclosure regarding compensation, 68 counts of no financial needs analysis, 38 counts of no risk assessment, 13 counts of no disclosure regarding range of products, and 13 counts of no FINTRAC processes in place.

Counts of Best Practices Issues found from Exams 2021-22



In the following decomposition tree, the correlation between best practices issues and contraventions of the Act is shown. Forty (73 percent) of the 55 examinations identified with best practices issues did not have reason why letters. Twenty-six (65 percent) of the 40 examinations that did not have reason why letters had contraventions in not providing disclosure of insurers. Twenty-two (84 percent) of the 26 examinations with contraventions in not providing disclosure of insurers resulted in escalation to Regulatory Discipline Officers.

Best Practices Issues - Decomposition Tree



The correlation between not following best practices and contraventions of the Act suggests that increased oversight towards best practices would promote financial safety, support fair treatment of consumers, and facilitate principles-based and outcomes-focused regulation within the life insurance sector. Put simply, following best practices helps to ensure fair outcomes for consumers.

Under the Framework, the Life Agent Unit will continue to review best practices as a risk criterion to mature its risk-based approach to life agent supervision. FSRA intends to consult with the industry on integrating best practices enforcement into the Framework.

Conclusion

Through market conduct supervision and enforcement activities, FSRA has worked to ensure that life agents are compliant with legislation, regulations, and FTC Guidance to enhance market conduct oversight to protect consumers. The supervision carried out under the Framework has contributed to public confidence, promoted transparency, and deterred deceptive or fraudulent conduct, practices, and activities. These activities promoted and reinforced FSRA's statutory objects and align with ongoing FSRA oversight initiatives in the life and health insurance sector by:

- Promoting consumer protection and FTC Guidance.
- Promoting life agent regulatory compliance and industry best practices.
- Informing thematic examinations of life agents.
- Informing licensing suitability, policy initiatives, and enforcement actions.
- Informing oversight initiatives of life insurance companies and managing general agencies.
- Demonstrating FSRA's regulatory effectiveness.

The Life Agent Unit is driven by a continuous improvement model towards outcomes-focused regulation, and leverages lean methodologies towards cases escalated to Regulatory Discipline Officers or the Legal and Enforcement Unit to optimize resources and outcomes.

For cases escalated to Legal and Enforcement, FSRA may initiate an enforcement proceeding if a regulated individual is found not to be compliant with a legal requirement. When a decision has been made to continue with an enforcement proceeding, FSRA will issue a notice proposing a sanction against the regulated individual. The notice is called Notice of Proposal (NOP). A NOP is an allegation that has not been proven before a court or tribunal. FSRA will publish a release to inform the public with respect to the NOP, and

the individual will have 15 days to request a hearing before the Financial Services Tribunal.¹¹

A strategic plan to enhance data collection and analysis has been established in the Life Agent Unit. Technology resources are being leveraged to enable automation, drill-down analyses, and custom application development while promoting an innovative and iterative environment. In the reported year, the Life Agent Unit has made significant progress to enhance data collection for capturing all details related to LARFs since FSRA inception. Through collation of multiple data sources, trends relating to LARFs filed by insurers are being captured, and underreporting or misreporting of life agent misconduct in the Ontario market appears to be indicated.

With the successful completion of proactive campaigns in 2021-22, the Life Agent Unit will continue to mature its risk-based approach in identifying risk criteria, analyzing criteria, and determining targeted responses to execute thematic campaigns.

In view of nearly 60,000 life agents in Ontario, the goal is to maximize the Life Agent Unit's capabilities to place resources where the risk and need is greatest. In taking a risk-based approach, it should be noted that examination outcomes are not necessarily representative of the entire industry, and the year-to-year outcomes may not necessarily be comparable.

To promote FSRA's vision of financial safety, fairness, and choice for Ontarians, operational efficiencies and industry burden reduction are priorities under the Framework. The Life Agent Unit is in the execution and/or continuous improvement phase of multiple projects to modernize its supervision efforts, such as an online life agent questionnaire, an integrated online life agent examination program, and an online life agent misconduct

¹¹ [Enforcement and Monitoring](#)

reporting portal. These efficiencies will allow the Life Agent Unit to increase its capacity for life agent supervision.

The outcomes of FSRA's 2021-22 life agent examinations suggest that the life agents examined need to improve their overall business practices, and that the insurers who are obligated to monitor those intermediaries authorized to sell their products need to review their life agent compliance oversight programs. The outcomes also appear to demonstrate a link between contraventions of the Act and not following industry best practices. Since best practices help demonstrate that a policy sale or change is both suitable and in the consumer's interest, FSRA intends to consult on how such practices may become requirements in Ontario in support of fair treatment of customers.

Appendix “A”: Life Agent Reporting Form (LARF)

Life Agent Reporting Form

Date: _____

Agent Name: _____

Life Insurance and/or A&S Agent's License Number: _____ Province/Territory: _____

Evidence that suggests: (refer to Guideline G8 Appendix 1 for explanation)

- | | | |
|--|---|---|
| <input type="checkbox"/> Churning | <input type="checkbox"/> Inducements | <input type="checkbox"/> Product - Client Suitability |
| <input type="checkbox"/> Coercion | <input type="checkbox"/> Licensing Violation | <input type="checkbox"/> Replacements |
| <input type="checkbox"/> Conflict of Interest | <input type="checkbox"/> Misappropriation of Client Funds | <input type="checkbox"/> Tied Selling |
| <input type="checkbox"/> Forgery | <input type="checkbox"/> Misrepresentation to Company | <input type="checkbox"/> Trafficking In Insurance |
| <input type="checkbox"/> Fraud | <input type="checkbox"/> Misrepresentation/Disclosure | <input type="checkbox"/> Trustworthiness |
| <input type="checkbox"/> Fronting | <input type="checkbox"/> Money Laundering/Terrorist Financing | <input type="checkbox"/> Twisting |
| <input type="checkbox"/> Holding out Violation | <input type="checkbox"/> Premium Rebating | <input type="checkbox"/> Undue Influence |
| <input type="checkbox"/> Improper Paperwork | <input type="checkbox"/> Privacy or Confidentiality | <input type="checkbox"/> Other _____ |

Agent contract has been terminated: ☐ Yes _____

☐ No _____

Company Reporting: _____

Contact person: _____ Phone: _____

E-mail: _____