

# Life and Health Insurance Stakeholder Advisory Committee Meeting with FSRA Board

# FSRA

Financial Services Regulatory  
Authority of Ontario

**Date: May 22, 2024**



## 2024-25 L&H Insurance Priorities



6.1 Strengthen Managing General Agents ("MGA") regulatory framework.	6.2 Strengthen protection for consumers who invest in segregated fund contracts.
<p><b>Outcomes We Are Seeking</b></p> <ol style="list-style-type: none"> <li>1) The obligations of insurers and MGAs are clear, particularly for oversight of distribution practices.</li> <li>2) Consumers are treated fairly and sold products that suit their needs based on advice provided by an adequately trained/monitored life agent.</li> </ol> <p><b>Key Activities to Achieve Outcomes</b></p> <ol style="list-style-type: none"> <li>a) Issue the final Life Insurance Agent &amp; MGA Licensing Suitability Guidance and implement it through a supervisory framework.</li> <li>b) Identify remaining gaps in the regulatory framework for Life and Health Insurance MGAs, consult with relevant stakeholders on gap closure, develop a plan for gap closure (which may include a proposed Rule), and start implementation of the plan.</li> <li>c) Continue the development of a plan and associated capabilities to effectively oversee new regulatory standards.</li> </ol>	<p><b>Outcomes We Are Seeking</b></p> <ol style="list-style-type: none"> <li>1) Insurers and agents put customers' interests first and manage COIs when they design, sell and administer segregated fund contracts.</li> <li>2) Agents ensure they understand products they sell, give suitable advice about how seg fund contracts can meet those needs, and give customers information needed to make suitable choices.</li> <li>3) Insurers train and monitor agents to ensure they make suitable recommendations and provide appropriate service over the lifetime of contracts.</li> </ol> <p><b>Key Activities to Achieve Outcomes</b></p> <ol style="list-style-type: none"> <li>a) Work with CCIR and CISRO to create consolidated national guidance relating to the design, distribution, issuance, sale, and administration of individual segregated fund contracts.</li> <li>b) Develop a Rule and Interpretation Guidance on individual seg fund contracts to be consistent with the CCIR/CISRO consolidated national guidance to address related gaps in consumer protection.</li> <li>c) Complete public consultation on the proposed TCR Rule for individual seg fund contracts to be consistent with the CCIR national guidance to address related gaps in consumer protection.</li> </ol>

## Updates on FSRA Activities in L&H Insurance

### *Life Agent Team Initiatives:*

- Number of LAMRs received in FY 2022-23 increased by 102% (123 compared to 61 LAMRs in FY 2021-22).
- Number of proactive Life Agent Examinations had a 100% increase in FY 2022-23 (230 compared to 115 exams in FY 2021-22).
- In the coming months, FSRA will distribute a **Life Agent Business Practices and Compliance Questionnaire (BPACQ)** to Agents to give FSRA a broad snapshot of typical agent behaviours and help us identify the areas where further supervision and education are required to raise industry standards. FSRA will publish the results.

### *Life & Health Companies Team Initiatives:*

- FSRA conducted multiple reviews between 2020 and 2024 to better understand Ontario's distribution landscape. Given MGAs are the most prevalent distribution channel among reviewed Insurers, we found that Insurers delegate a variety of agent-related functions to MGAs.
- FSRA intends to launch an online **MGA Distribution and Business Practices Questionnaire** to help us better understand the relationship between Insurers and their MGAs, such as how Insurers distribute their products through their MGAs and how they oversee them.

### *Update on IAIS Initiatives:*

- Mark White (FSRA CEO) chairs the Market Conduct Working Group (MCWG) at the International Association of Insurance Supervisors (IAIS). FSRA has been actively involved in two projects since 2022:
  - **DEI Application Paper** - MCWG is developing a DEI Application Paper that will offer advice and recommendations to supervisors, insurers, and intermediaries on implementing ICP 19 requirements with consideration towards fair treatment for diverse customers. FSRA is co-leading this project with other international jurisdictions. The Paper will be open for public consultation from June to September 2024, with the expected timeline for publishing in the first half of 2025.
  - **Conduct Indicators Implementation Guide** - In 2019, MCWG initiated a project to provide guidance to IAIS Members regarding the use of conduct indicators in assessing insurers' conduct. The final output of the project was a Member-only report on the Use of conduct indicators in insurance published in June 2023 in which FSRA was a participating member.

## Roundtable Discussion



FSRA's Board of Directors is seeking input from the L&H Insurance SAC on forward- looking items related to L&H Insurance supervision and is asking the following questions, which the SAC has previously considered:

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 do you assess/mitigate them?
3. What are the opportunities and critical success factors in L&H Insurance?
4. The FTC guidance has been in place for more than five years:
  - How has this principles-based guidance changed your approach to compliance?
  - What can FSRA do to be more effective as a principles-based regulator?