



November 13, 2023

Financial Services Regulatory Authority of Ontario (FSRA)  
25 Sheppard St. W., Suite 100  
Toronto ON M2N 6S6  
Attention: Mark White, CEO

*Submitted via the FSRA website.*

**Subject: FSRA Proposed FY 2024-2025 Statement of Priorities and Budget**

Independent Financial Brokers of Canada (IFB) welcomes the opportunity to comment on FSRA's draft *2024-2025 Statement of Priorities* ("SOP"). IFB appreciates the continued commitment FSRA has demonstrated to engaging with stakeholders on such matters. In our view, this ongoing engagement is an important factor in the development of sound regulatory policy.

*About IFB*

Independent Financial Brokers of Canada (IFB) is a national, not for profit association representing approximately 3,000 licensed professionals across Canada. Many IFB members are licensed by FSRA as life/health insurance agents.

IFB members must agree to adhere to IFB's Code of Ethics and Standards of Professional Conduct<sup>1</sup> as a condition of membership. Often, they earn additional licenses or accreditations which permit them to address the broader financial needs of today's client. These can include securities/investments, mortgages, P&C insurance, deposit instruments, estate/tax services, and financial planning.

IFB members are typically self-employed advisers and planners who own a small to medium-sized financial practice in their local community. These local professionals offer an important, community-based alternative to the advisory services provided by larger retail financial institutions, and firms restricted to offering only their proprietary products. Our members frequently establish long-term, trusted relationships with clients (whether individuals, families, or businesses) spanning many years – even generations.

Preserving choice and access for consumers to the personalized advice that is typical of that provided by IFB members is central to IFB's advocacy and stakeholder relations.

*General comments*

FSRA's open and transparent dialogue with its regulated entities and other stakeholder groups helps create mutual understanding and appreciation of the challenges faced by industry, consumers, and regulators, and ultimately leads to more effective policies and regulatory oversight.

IFB's comments in relation to the draft SOP will focus on priorities identified for the life insurance and financial planner/financial advisor sectors.

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<sup>1</sup> Independent Financial Brokers of Canada: <https://ifbc.ca/code-ethics/>

### Strategic Priorities

IFB agrees that the 3 Strategic Priorities FSRA has set out are appropriate in guiding its activities.

#### 1. Advance the Consumer Interest

As part of FSRA's consumer centric focus, it specifically points to the needs of vulnerable consumers and how its regulated sectors can help support such consumers.

As IFB has mentioned in previous responses, we believe life insurance licensees can benefit from FSRA working with its CCIR counterparts to align the protection for vulnerable consumers currently in place in to assist securities registrants. In particular, we note CSA initiatives that provide advisors, compliance officers and others with the knowledge and training that will help them identify, and know how to escalate, such concerns. Given the demographic realities of an aging population, increased cyber security risks, financial fraud, and uncertain economic realities, this will be a growing problem. It is our hope that FSRA can help advance the development of a harmonized set of expectations and promote industry awareness of the challenges presented by vulnerable individuals and groups, regardless of where they reside, or the financial sector they transact in.

#### 2. Enable Innovation

IFB supports the goal of supporting innovative and competitive financial services options and providing more opportunities for new and innovative solutions to enter the marketplace, subject to these opportunities meeting appropriate regulatory standards applicable to existing services.

#### 3. Modernize Systems and Processes

IFB welcomes initiatives that will improve the licensing and registration processes for the insurance sector. In particular, individual life insurance and corporate licensees will appreciate improved turnaround times. Processing delays can lead to serious challenges in our members' ability to conduct business and serve their clients. We encourage FSRA to reach out to stakeholders, such as IFB, when changes to licensing requirements are proposed, so we can help support awareness of the changes and reduce the number of incomplete applications submitted to FSRA that contribute to backlogs and delays.

IFB supports FSRA's ability to implement data and analytic tools that will improve its regulatory oversight and increase administrative efficiencies. Reducing the number of paper-based processes and moving more services online will help FSRA be more efficient and benefit its regulated sectors.

### Specific Priorities

Below, we focus on the priorities related to the Life and Health Insurance Sector (6.0) and Financial Planners and Advisors (9.0).

#### ***Priority 6.0: Life and Health Insurance***

##### ***6.1 Strengthen Managing General Agents ("MGA") regulatory framework***

FSRA states it "continues to identify consumer risks and gaps in market conduct compliance, particularly in independent distribution channels such as MGAs". We note that FSRA's thematic reviews have

focused on a particular business model within the MGA segment - a model which is not widely representative of the MGA market.

While the MGA channel is the largest independent distribution channel, other forms of insurance sales distribution, such as direct to insurer, career, proprietary, and national accounts, account for a sizable proportion of sales to consumers. IFB encourages FSRA to expand its focus so it can be satisfied that high standards of business conduct are being achieved, regardless of the distribution channel insurance consumers interact with. IFB views this as consistent with FSRA's goal to be a regulator which relies on outcomes that are evidence-based and risk-based.

Going forward, IFB looks forward to participating in the consultation on a proposed MGA Rule, which FSRA expects will provide supporting guidance and potential new standards.

#### *6.2 Protect consumers who invest in segregated fund contracts*

We reiterate our concern that the word "Protect" in this context implies that segregated fund investors are not currently protected and implies a level of protection that is not realistic in an investment-based contract.

At the outset of the investment, consumers should have the information they need to understand the product being recommended and make an informed decision at the time of the purchase of a segregated fund, and throughout the lifetime of the contract. This includes understanding the associated costs and risks. However, segregated funds are investment products, and while they offer certain guarantees, do not fully protect consumers against changes in the underlying market value of their investments or in the event they terminate the contract in advance of its maturity date.

As a separate point, we observe that the word "protect" is not used in relation to the consumers of any of the other sectors in the draft SOP. As an example, Section 4.3, is titled, *Ensure the fair treatment of customers of Property and Casualty Insurance*. In our view, this type of wording is appropriate for consumers of segregated funds and reflects that FTC is the underlying premise of expected business conduct in the insurance sector. In other examples, the CCIR and CISRO Strategic Plans refer to "enhancing" or "strengthening" consumer protection.

### **Section 9. Financial Planner/Financial Advisor priorities**

#### *9.1 Ensure the effectiveness of the title protection framework for Financial Planners/Financial Advisors*

Central to the FP/FA framework's effectiveness is FSRA's ability to provide robust oversight of accredited credentialing bodies so consumers (and the advisors who earn such credentials) can feel confident that the FP or FA credential represents a consistent and meaningful level of proficiency, regardless of the CB which awarded the credential.

IFB supports FSRA's commitment to assess credentialing bodies, conduct a review of the framework, and to work with the Ministry of Finance and other stakeholders to identify any changes to the legislation or regulations. These are important undertakings to ensure consumers and industry alike have confidence that the framework is operating as was intended. IFB looks forward to FSRA's report on the framework evaluation and possible future enhancements.



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We note that as it now appears likely that CISO will become a credentialing body, this may lead some already approved CBs to discontinue offering their credential(s) in an increasingly crowded space. It is important, as IFB has commented in previous submissions, that FSRA has processes and policies in place to deal with such an event and the treatment of those individual FPs and FAs who earned the discontinued credential in good faith.

Thank you for the opportunity to comment on FSRA's 2024-2025 draft Priorities. Should you have questions on our comments, please contact the undersigned or Susan Allemang, Director, Policy & Regulatory Affairs ([sallemang@ifbc.ca](mailto:sallemang@ifbc.ca)).

Yours truly,

*"Nancy Allan"*

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