



October 29, 2021

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

Submitted via the FSRA website

Subject: Proposed FY 2022-2023 Statement of Priorities

Independent Financial Brokers of Canada (IFB) is pleased to comment on FSRA's draft Statement of Priorities, published October 7th.

About IFB

Independent Financial Brokers of Canada (IFB) is a national, not for profit, professional association representing 3,000+ licensed advisors and planners. IFB is the only Canadian association that exclusively represents independent financial professionals and has done so for over 35 years.

IFB members are members by choice. They must be licensed by a Canadian financial regulator, agree to adhere to IFB's Code of Ethics and Standards of Professional Conduct¹, and not be restricted by an employment or other exclusive contract with a single financial services company or institution.

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

Most IFB members are life/health insurance licensees and mutual fund registrants. Many have earned additional licenses or accreditations which permit them to address the broader financial needs of today's client. These can include securities/investments (IIROC), mortgages, P&C insurance, deposit instruments, estate/tax services, and financial planning.

IFB serves the needs of its members, and the financial community more widely, by offering a comprehensive professional liability program, accredited educational events, compliance tools and regulatory updates. An important part of the work IFB does is to provide a collective voice for these individual advisors. IFB advocates on their behalf with legislators, regulators, industry stakeholders and others, to ensure any proposed regulatory change does not disadvantage independent distribution or reduce access to the tailored advice that these financial advisors and planners bring to clients.

General comments

IFB welcomes FSRA's continued commitment to engaging in open and transparent dialogue with its regulated entities, and its goal to operationalize a principles-based approach to regulation. Principles-

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



based regulation is a flexible, sustainable approach to ensuring better outcomes for the life insurance industry and consumers.

IFB's comments will focus on the life/health insurance sector and the proposed Financial Planner/Financial Advisor title framework.

Consumer Issues

As an important financial sector regulator in Ontario, IFB has encouraged FSRA in previous submissions to consider implementing a whistleblower program. The OSC has had a whistleblower program for 5 years and has found that it has enhanced its ability to detect patterns of misbehaviour at an early stage or added to its sector-specific understanding of potential gaps in its market conduct oversight. While FSRA provides the opportunity to submit a complaint or report fraud on its website, it may not be seen as an appropriate option for those who would be more comfortable with the protections built into a whistleblower program.

IFB is pleased that the Consumer Advisory Panel (CAP) is operational and provides a voice for consumers. The research CAP undertakes will provide valuable insights that we trust will be shared with all stakeholders. In addition, it will be important for FSRA's CAP to engage with the OSC's Investor Office and Investor Advisory Panel and look for opportunities to co-ordinate their consumer protection initiatives. In FSRA's cross-sectoral priorities, it cites strengthening its consumer focus, and in particular, for vulnerable consumers. IFB encourages FSRA, and other members of the CCIR, to harmonize their approach to protecting vulnerable clients with that of the CSA. This would introduce practices such as identifying a Trusted Contact Person. Many life insurance advisors are also registrants in the securities sector. A harmonized approach would be reassuring for advisors and consumers of either, or both, sectors. Key to its success will be a requirement to provide advisors and compliance staff with proper education/training to help them identify such instances, and understand how to escalate possible instances of fraud, or issues related to vulnerable clients to insurers or their firm.

IFB notes, on page 7, that FSRA states that affordability "continues to be a concern for insurance consumers" and that this may lead them to purchase policies based on price rather than those best suited to their needs. FSRA says it will monitor "whether the products consumers are being sold are suitable". Affordability is only one element when considering the purchase of insurance, but it is a basic one. Consumers have various options to purchase insurance, including direct to insurer and with no advice. We are not sure how FSRA intends to monitor the suitability of such purchases. Consumers even with advice may not choose to purchase an optimal product for a variety of reasons, including price. During the needs analysis process, advisors must also determine whether a premium is affordable. If not, the client is likely to let the policy lapse and be without insurance entirely. The life insurance industry requires advisors to provide consumers with a Reason Why letter which is intended to support the purchase of a product, including one which does not fully meet the need of the client based on the client's known circumstances. We would appreciate learning more about FSRA's concerns on this point.

Emerging issues and trends in FSRA's regulated sectors

The Covid-19 pandemic has led to an increase in financial cybercrime, and technology risks that can pose risks to consumers and businesses. We agree that it is essential for FSRA to undertake specific risk mitigation efforts and harmonize them with other regulators to maximize the ability of the financial



services sector to maintain business continuity despite potential interruptions caused by such incidents, while protecting consumers and ensuring the safety of Canada's financial system.

Enable Innovation

IFB supports the goal of expanding innovative and competitive financial services options and providing more opportunities for new and innovative solutions to enter the marketplace. Of course, this will have to be carefully managed in light of the increased exposure to cybersecurity threats often associated with emerging technology, as well as ensuring that any 'new' players are held to a consistent, regulatory standard, compared to those in the more traditional market.

Modernize systems and processes

IFB welcomes initiatives that will increase administrative efficiencies, such as reducing the number of paper-based processes and moving more services online. We hope that these efforts will help improve service levels, in particular the turnaround time for licensing, which has fallen behind its target level.

Life & health insurance sector: Enhance market conduct oversight to protect consumers

IFB, along with its G4² industry colleagues, continue to voluntarily work toward addressing oversight of conduct standards and barriers to the FTC in the life/health insurance industry, including incentives.

IFB notes that under 'Planned outcomes', the outcome of achieving high standards of business conduct is limited to the relationship between insurers and MGAs and developing a supervisory framework for MGAs. While we appreciate the MGA channel is the largest, other forms of distribution are also significant. An insurer may use the MGA channel in combination with other distribution methods. 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. Other distribution channels include direct to insurer, career, proprietary, and national accounts. IFB views this as consistent with FSRA's goal to be a regulator which relies on outcomes that are evidence-based and risk-based.

IFB supports FSRA's intention to provide clear and consistent communication of its approach to principles-based regulation and supervision. As an example, we have found FSRA's consultations on various draft guidance documents to be helpful in setting out its regulatory expectations and providing the opportunity to gather industry feedback at an early stage.

IFB views FSRA's ongoing participation with the CCIR and the CSA as very important in promoting harmonized national solutions for the industry and consumers. A number of the deliverables and outcomes in 6.1 are related to segregated funds and harmonizing expectations with mutual fund regulators. As regulators move toward finalizing the total cost reporting and guidance for mutual funds and segregated funds, we trust that the guidance for segregated funds will recognize the key differences between these products, in particular the guarantees on death.

² IFB, CAILBA, CLHIA, Advocis



Financial Planners/Financial Advisors title protection framework

IFB supports the consumer protection goal of the framework that will help consumers will feel more confident that their FP/FA is appropriately qualified. IFB does not administer a credential, nor does it plan to apply to be a credentialing body.

IFB continues to have reservations about the legislative limitations of this framework, which we have set out in detail to FSRA in consultations specific to the titling regime. However, we recognize that the legislative design is outside of FSRA's control. Therefore, IFB remains committed to working with FSRA to help ensure that this framework will be implemented in a meaningful and cost-effective way. Central to this will be FSRA's ability to provide robust oversight of accredited credentialing bodies so that consumers can feel confident that their FP or FA has attained a consistent level of proficiency, regardless of the CB which awarded the credential. We note that there is no mention in this section of creating a centralized database, in addition to those maintained by individual CBs. We trust that FSRA intends for this to form part of the framework going forward.

FSRA intends to execute a consumer education campaign to increase awareness of the title regime. IFB supports a consumer education campaign with the proviso that any campaign should not inadvertently undermine consumer confidence in properly regulated individuals who choose not to pursue the FP or FA accreditation. We see an excellent opportunity to help consumers understand, more broadly, the importance of knowing whether the financial professional they are dealing with is licensed and regulated. IFB looks forward to commenting further as more details on the educational messaging become available.

Fees

We agree that FSRA must have the resources to effectively oversee its regulated sectors and protect consumers. IFB is pleased that FSRA does not intend to increase the licensing fees for life insurance agents. Many advisors have experienced challenges in managing their practices during the Covid-19 pandemic, and no fee increase is welcome.

Thank you for the opportunity to comment. IFB looks forward to continuing to engage with FSRA on issues related to the life/health insurance sector.

Please contact the undersigned, or Susan Allemang, IFB's Director of Policy & Regulatory Affairs (sallemang@ifbc.ca), should you have questions or wish to discuss our comments further.

Yours truly,

A handwritten signature in black ink that reads 'Nancy Allan'. The signature is written in a cursive, flowing style.

Nancy Allan

Executive Director

T: 905-279-2727 Ext. 102

E: allan@ifbc.ca