



November 11, 2022

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 2023-2024 Statement of Priorities and Budget**

Independent Financial Brokers of Canada (IFB) welcomes the opportunity to comment on FSRA's draft Statement of Priorities (SOP). The majority of IFB members are life insurance licensees, regulated by FSRA as they live, or are life-licensed, in Ontario.

*About IFB*

Independent Financial Brokers of Canada (IFB) was incorporated as a national, not for profit association in 1985 and today represents approximately 3,000+ licensed professionals across Canada. IFB members agree to adhere to IFB's Code of Ethics and Standards of Professional Conduct<sup>1</sup>.

Most IFB members are life/health insurance licensees and/or 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 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, and firms which are restricted to offering only their proprietary products.

IFB advocates for the value of independent financial advice with legislators, regulators, industry stakeholders and others. It's important that proposed regulatory changes not inadvertently disadvantage competition in the marketplace or reduce choices for consumers on how they access financial advice from licensed advisors and planners.

*General comments*

IFB welcomes FSRA's continued commitment to engaging in open and transparent dialogue with its regulated entities and other stakeholder groups. We believe this helps create mutual understanding and appreciation of the challenges faced by industry, consumers, and regulators, and ultimately leads to more effective regulation.

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



IFB also supports FSRA's continued commitment to operationalize a principles-based approach to regulation. Principles-based regulation embodies a flexible approach, focused on achieving better outcomes for the life insurance industry and its customers.

IFB is pleased that FSRA [announced](#) in April 2022, the creation of a whistleblower program. IFB encouraged the creation of a whistleblower program for the life insurance industry, like that already in place in the securities sector, in its past submissions. These types of programs can provide important insights for regulators by allowing them to detect, at an early stage, patterns of behaviour that can be harmful to the public, as well as identifying potential gaps in FSRA's market conduct oversight.

#### *Specific comments*

IFB's comments on FSRA's draft *Priorities* will primarily focus on those related to the life/health insurance sector and the Financial Planner/Financial Advisor titling framework.

#### **Strategic Priority 1: Strengthen the consumer focus**

*Consumer lens:* IFB supports FSRA's commitment to strengthen the influence of a consumer lens in its policy and oversight activities. We encourage the Consumer Office and Consumer Advisory Panel to work alongside its counterparts in other financial services, and particularly those in the securities sector. Consumers frequently engage in both life insurance and securities transactions and receive advice from firms, advisors and planners licensed to conduct business in both sectors. Bringing a shared insurance/securities consumer lens to any cross-sectoral concerns will help identify opportunities to reduce barriers for consumers of both sectors.

We note that FSRA has stated the Consumer Office intends to foster consumer engagement by *developing relationships with public sector groups, academia, and organizations with substantial consumer memberships*. IFB encourages the Consumer Office to consider the practical insights that those who are at the forefront of dealing with consumers everyday – such as life/health insurance advisors - can bring to help build sector specific knowledge.

*Vulnerable consumers:* We support FSRA's identification of vulnerable consumers in its consumer focus. In IFB's [response](#) to FSRA's 2021-2022 draft SOP, we recommended FSRA work with its CCIR counterparts to work towards aligning the protection for vulnerable consumers with that in place in the securities sector. In particular, we pointed to the policies the CSA has put in place to help firms and advisors better recognize the signs that a client may be vulnerable, and the appropriate actions to be taken. Key to the success of such initiatives is providing advisors, compliance officers and others with oversight responsibilities, with the knowledge and training to 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 utilize its positions on the CCIR/CISRO to advance the development of a harmonized set of expectations that can help promote industry awareness of vulnerable individuals and groups, regardless of where they reside, or the financial sector they transact in.

#### **Strategic Priority 2: Modernize Systems and Processes**

IFB is pleased that FSRA intends to improve the licensing and registration processes for the insurance sector. Individual life insurance and corporate licensees will welcome improved turnaround times. We



also support FSRA's ability to access data and analytic tools to improve its regulatory oversight, and initiatives that will increase administrative efficiencies, such as reducing the number of paper-based processes and moving more services online.

### **Strategic Priority 3: 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. We look forward to learning more about FSRA's experiences in the Test and Learn Environments and adapting its regulatory toolkit, which it says will embrace *innovation while maintaining a strong focus on consumer safety*.

### **Strategic Priority 7: Life & health insurance**

#### 7.1 Enhance market conduct oversight to protect consumers

IFB, along with its industry colleagues, continues to voluntarily work toward addressing oversight of conduct standards and barriers to the FTC in the life/health insurance industry including, most recently, the management of incentives and review of MGAs in the distribution of life insurance.

*Insurance distribution:* We note that this section is focussed on the independent distribution of insurance, including the risks and challenges posed by MGAs. While we appreciate the MGA channel is the largest 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.

*Segregated funds:* IFB views FSRA's ongoing participation with its CCIR and CISRO colleagues as especially important in developing harmonized national solutions for the life insurance industry and its consumers. Several of the deliverables and outcomes in 7.1 are related to segregated funds and harmonizing with mutual fund regulation. As insurance and securities regulators move toward finalizing the total cost reporting for mutual funds and segregated funds, and other guidance specific to segregated funds, we trust that the guidance will recognize the key features of segregated funds that can make them an alternative and sound investment choice for consumers.

IFB will continue to comment on other issues related to the sale and administration of segregated fund contracts that are currently under review by the CCIR/CISRO. Again, as these initiatives move forward, it will be important to work towards a national, harmonized approach for customers and licensees.

### **Strategic Priority 10: Financial Planners/Financial Advisors**

#### 10.1 Ensure the effectiveness of the title protection framework for financial planners/financial advisors

IFB has long been supportive of title restrictions to reduce the use of misleading or confusing titles for those providing advice or services to consumers. We have often referenced the need for national standards regarding titles and continue to encourage FSRA and its CCIR/CISRO colleagues to work toward this goal, as the CSA has done.



IFB continues to have reservations about the legislative limitations inherent to the design of the FP/FA framework, which we have set out in detail to FSRA in previous consultations specific to the titling regime. We recognize that these limitations are outside of FSRA's mandate and are encouraged by FSRA's commitment to identify legislative changes, if needed. IFB remains committed to working with FSRA to help ensure that this framework will be implemented in a meaningful and cost-effective way for consumers who will rely on the individuals with these titles, and those who choose to use the FP or FA title.

Central to the FP/FA framework's success is FSRA's ability to provide robust oversight of accredited credentialing bodies so that 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. We welcome FSRA's commitments 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.

Since the implementation of the FSRA FP/FA framework, it is notable that both Saskatchewan and New Brunswick have published consultations on the development of title protection frameworks which could deviate from Ontario's. This is not a desirable outcome for consumers or FPs/FAs. However, it presents the opportunity for FSRA to work with its provincial counterparts to strengthen some of the current limitations in the Ontario model.

*Other comments:* There is no mention in the draft SOP that FSRA will implement a centralized database of FPs and FAs, in addition to those maintained by individual CBs. We trust that FSRA still intends to develop this going forward.

Lastly, there is no mention in the draft SOP of a consumer education campaign, although we note that some information is available on the FSRA website. IFB has previously recommended that industry stakeholders, including ourselves, have the opportunity to comment on any proposed consumer education initiative. In particular, we highlight our concerns that any consumer education campaign should not undermine trust in properly licensed and fully regulated licensees who choose not to pursue the FP or FA credential. We further recommend that it be made clear to the public that individuals with these titles can hold them with no other licence or registration category that would compel oversight by a financial services regulatory body – meaning consumer options in the event of a complaint are much more limited. At a minimum, IFB suggests including direct links to insurance and securities regulatory websites, so consumers can easily check their FP's or FA's licence/registration status.

## **Other matters**

### Fees

We agree that it is important for FSRA to have the necessary resources to effectively oversee its regulated sectors and protect consumers. As a self-funded regulator, IFB urges FSRA to conduct these activities in as efficient a manner as possible.



IFB is pleased that FSRA has proposed only a minor increase in the licensing fee for life insurance agents. Many advisors have experienced financial challenges during the COVID-19 pandemic and limiting the fee increase is welcome.

Succession planning/Business continuity planning

IFB believes that regulators should encourage those operating a life insurance practice to have a business continuity and succession plan in place. It's important for clients to be confident that their financial matters will continue uninterrupted if their advisor becomes unable to work, or leaves the business suddenly and unexpectedly due to death or disability. Many advisors practice beyond the age of 60 years, adding to the risk of sudden departure and interruptions of service for their clients.

While larger firms may have a plan in place to prepare for such scenarios, many life insurance practices operate as sole proprietorships or small partnerships and, unfortunately, put off taking the steps needed to secure their business. It is notable that the Law Society of Ontario shares similar concerns and recently issued a [consultation](#) to solicit feedback on whether to include the development of a formal succession plan part of a lawyer's professional duty. The paper takes the view that this is a public interest matter, as lack of planning can leave clients with no one who can execute transactions on their file in a timely manner or has access to the client's file - ultimately leading to client harm.

There are many parallels between the Law Society's concerns and the life insurance industry. The LSO identifies risks to clients, business partners, and families linked to the rising age of practicing lawyers who remain in the business over age 65, and a substantial number who are sole proprietors or in 2-person firms, with no succession plan in place. For many years, IFB has recognized the importance of educating sole proprietors and those operating smaller firms understand the importance of planning for the unexpected. IFB also introduced a succession planning/business continuity platform for members over 5 years ago as a free resource. However, we believe more should be done to encourage business continuity and succession planning in the life insurance industry. Regulators could provide a principles-based regulatory nudge, which would endorse the development of such plans, while the specific details of the design would be left flexible and suited to each business' circumstances. We believe this is consistent with the FTC guidance.

Thank you for the opportunity to comment on the draft Priorities. 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 (salleman@ifbc.ca), should you have questions or wish to discuss our comments further.

Yours truly,

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

Executive Director

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