

Financial Services Regulatory Authority of Ontario (“FSRA”)

Publication of Board Approved Amendment 1 on FSRA’s Website (the “Publication”)

Amendment 1 – Deferred Sales Charges – Issuing and Changing Individual Variable Insurance Contracts (“Board Approved Amendment 1”)

Rule 2020 – 002 Unfair or Deceptive Acts or Practices Rule (the “UDAP Rule”)

Introduction

This Publication contains information and material to satisfy paragraphs (1)-(5) of s. 23(2) of the *Financial Services Regulatory Authority of Ontario Act, 2016* (the “**FSRA Act**”). This Publication relates to Board Approved Amendment 1 to the UDAP Rule.

FSRA has created this Publication after consulting on the first version of Amendment 1 – Deferred Sales Charges – Issuing and Changing Individual Variable Insurance Contracts (the “**First Proposed Amendment**”). FSRA’s consultation on the First Proposed Amendment began on November 25, 2022 and ended on February 23, 2023 (the “**Consultation Period**”).

FSRA’s board of directors (the “**Board**”) approved Board Approved Amendment 1 on April 12, 2023.

Background

In February 2022, the Canadian Council of Insurance Regulators (“**CCIR**”) and Canadian Insurance Services Regulatory Organizations (“**CISRO**”) (collectively the “**Insurance Regulators**”) announced that due to the high risk of poor consumer outcomes associated with deferred sales charges (“**DSC**” or “**DSCs**”) in the sale of individual variable insurance contracts (“**IVIC**” or “**IVICs**”, also known as individual segregated fund contracts), insurers should refrain from engaging in new DSC sales, in line with the June 1, 2022 ban in securities. The Insurance Regulators stated they expected insurers to transition to the cessation of such sales by June 1, 2023. In order to implement the Insurance Regulators’ national position, FSRA proposed the First Proposed Amendment, leading to the development of Board Approved Amendment 1.

After the Consultation Period concluded, FSRA analyzed stakeholder submissions received on the First Proposed Amendment. Based on the submissions received, FSRA determined that immaterial amendments to the First Proposed Amendment were required. In turn, FSRA sought the Board’s approval of the First Proposed Amendment. After the Board’s approval on April 12, 2023, the First Proposed Amendment became Board Approved Amendment 1.

If approved by the Minister of Finance (the “**Minister**”), Board Approved Amendment 1 would:

- be made by FSRA under the authority granted by paragraph (67) of s. 121.0.1(1) of the *Insurance Act* (the “**Act**”);
- amend the UDAP Rule’s interpretation section to include definitions for the following terms: DSC, IVIC, person and segregated fund; and
- specify that it is an unfair or deceptive act or practice (“**UDAP**”) to do or fail to do anything that results, or could reasonably be expected to result, in an insurer,
 - issuing an IVIC under which anyone can make an investment that may be subject to a DSC; or
 - changing an IVIC to add a DSC sales charge option, or to make an existing DSC less favourable to a customer (the “**Prohibited Outcomes**”).

Board Approved Amendment 1 would strengthen Ontario’s regulatory regime (the “**Regime**”) by introducing measures to protect customers with respect to DSCs on IVICs. In particular, Board Approved Amendment 1 would protect customers from undesirable DSC-related outcomes by prohibiting DSCs on new IVICs and preventing insurers from making DSCs on existing IVICs less favourable to customers.

Board Approved Amendment 1 would respond to stakeholder feedback received during the Consultation Period and provide clarity to industry on FSRA’s regulatory expectations with respect to DSCs by:

- providing understandable definitions for key terms, including by defining what exactly constitutes a DSC;
- clarifying that, despite the prohibition on issuing IVICs that involve DSCs on or after June 1, 2023, an insurer can replace an existing IVIC that involves DSCs with another IVIC on substantially similar terms, such as where a registered retirement savings plan (“**RRSP**”) is replaced with a registered retirement income fund (“**RRIF**”) only as follows:
 - for the replacement IVIC to be on substantially similar terms, each DSC period on the replacement IVIC (during which the consumer must pay a fee upon making certain withdrawals) must be reduced to reflect any applicable DSC period that elapsed under the first IVIC for the same money.

Board Approved Amendment 1 aligns with FSRA’s statutory objects, which include FSRA’s duties to:

- regulate and generally supervise the regulated sectors;
- contribute to public confidence in the regulated sectors;
- cooperate and collaborate with other regulators where appropriate;
- promote high standards of business conduct;
- protect the rights and interests of customers; and
- foster strong, sustainable, competitive and innovative financial services sectors.

Delivery to the Minister of Finance

FSRA delivered Board Approved Amendment 1 and the material required by paragraphs (1)-(3) of s. 23(1) of the FSRA Act to the Minister on April 18, 2023.

No Action Taken by the Minister of Finance

If the Minister does not approve, reject or return Board Approved Amendment 1 to FSRA for further consideration, then Board Approved Amendment 1 will come into force on the 75th day after Board Approved Amendment 1 is delivered to the Minister.¹

As FSRA delivered Board Approved Amendment 1 to the Minister on April 18, 2023, it will come into force on July 3, 2023, if the Minister does not take any action.

Statement of Substance and Purpose

i. Purpose

Board Approved Amendment 1 would better protect the rights and interests of customers and promote high standards of business conduct. By prohibiting an insurer from issuing IVICs with DSCs on or after June 1, 2023, it aims to limit undesirable customer outcomes connected with DSCs, including unsuitable advice and unexpected fees. Board Approved Amendment 1 would protect the rights and interests of customers, while promoting high standards of business conduct.

In their February 2022 announcement, the Insurance Regulators stated they expected insurers to transition to the cessation of DSC sales by June 1, 2023. In light of this expectation, another purpose of Board Approved Amendment 1 is to harmonize with this national position by implementing an enforceable prohibition on using DSCs for IVICs issued in Ontario on or after June 1, 2023.

The Insurance Regulators' announcement followed a similar announcement by securities regulators across Canada, which had the effect of banning new DSC sales of mutual funds on or after June 1, 2022. A further purpose of Board Approved Amendment 1 is to harmonize with securities law on this point, to the extent it is both practical and appropriate to do so, in light of certain similar characteristics between IVICs and mutual funds.

¹ If the Minister does not approve, reject or return a rule to FSRA for further consideration and a coming into force date is not specified in a rule, then pursuant to s. 24(2)(b) of the FSRA Act, such a rule comes into force on the 75th day after it has been delivered to the Minister. As Board Approved Amendment 1 does not specify a coming into force date, it will come into force in accordance with s. 24(2)(b) of the FSRA Act if the Minister does not approve, reject or return Board Approved Amendment 1 to FSRA for further consideration.

Board Approved Amendment 1 provides clarity to industry on the treatment of DSCs in the Regime. FSRA understands that there has been some confusion regarding the treatment of DSCs in the Regime. Board Approved Amendment 1 provides needed clarification to industry by:

- imposing a clear prohibition on the use of DSCs for IVICs issued on or after June 1, 2023;
- imposing a clear prohibition on changing IVICs to add DSCs or make DSCs less favourable to customers;
- confirming that an insurer would not be considered to have issued an IVIC where a person has an existing IVIC with an insurer and the insurer issues a replacement IVIC on substantially similar terms;
 - For example, this may occur where a customer converts an RRSP contract to a RRIF contract or transfers ownership of an IVIC; and
- clarifying that for the replacement IVIC to be on substantially similar terms, each DSC period on the replacement IVIC (during which the consumer must pay a fee upon making certain withdrawals) must be reduced to reflect any applicable DSC period that elapsed under the first IVIC for the same money.

ii. Substance

Board Approved Amendment 1's substance is to better protect customers by:

- prohibiting insurers from issuing IVICs on or after June 1, 2023, under which a person can make an investment which may be subject to a DSC; and
- prohibiting insurers from changing an IVIC, on or after June 1, 2023, to add a DSC or make a DSC less favourable to a customer.

Written Comments Received and Responses to Significant Concerns

FSRA must publish a summary of written comments received and FSRA's responses to significant issues and concerns brought to FSRA's attention during the Consultation Period (the "**Summary of Comments and Responses**").

Please refer to Appendix D of this Publication for the Summary of Comments and Responses.

Immaterial Amendments to the First Proposed Amendment

During the Consultation Period, FSRA received stakeholders' submissions and, in response, FSRA made immaterial amendments to the First Proposed Amendment. The immaterial amendments addressed comments received and provided clarity, as requested, on the definition of DSC and s. 11(2) in the First Proposed Amendment. As

the changes made to the First Proposed Amendment are immaterial, FSRA is not required to publish a notice of change for a second public consultation.²

A summary of FSRA's immaterial changes are,

- removing the previous version of s. 1(1)(vii.1)(iii) in the First Proposed Amendment's definition of DSC to avoid redundancy;
- renumbering the definition of DSC for clarity;
- reformatting the definition of DSC to clarify that a DSC means anything which falls into the scope of s. 1(1)(vii.1)(a)(i)-(iii) (previously proposed s. 1(1)(vii.1)(i)-(iv)) and that the exceptions outlined in s. 1(1)(vii.1)(b)(i)-(iv) (previously proposed s. 1(1)(vii.1)(a)-(d)) are excluded from the definition of DSC;
- adding "with respect to a segregated fund in an individual variable insurance contract" to the renumbered s. 1(1)(vii.1)(a)(iii) (previously proposed s. 1(1)(vii.1)(iv)) to clarify that that this subsection:
 - only applies to IVICs; and
 - only applies to investments in a segregated fund within an IVIC;
- adding "or" after "...the individual variable insurance contract" to the s. 1(1)(vii.1)(a)(ii) due to the removal of the previous version of s. 1(1)(vii.1)(iii) in the First Proposed Amendment's definition of DSC;
- removing "the same" in s. 11(2) and inserting "substantially similar," to enable new s. 11(3) and to clarify that, when issuing a replacement IVIC with DSCs, the replacement IVIC must contain substantially similar terms rather than the same terms; and
- adding in a new s. 11(3) to clarify that a replacement IVIC is not on substantially similar terms for the purposes of s. 11(2) unless the calculation of DSCs under a replacement IVIC reflects the time money was invested on a DSC basis under a replaced IVIC, if applicable, rather than reflecting a DSC period starting from the date on which the replacement IVIC was issued.

Board Approved Amendment 1

Please refer to Appendix A of this Publication for Board Approved Amendment 1 in English.

First Proposed Amendment (Blackline)

Please refer to Appendix B of this Publication for a blackline showing the differences between the final Board Approved Amendment 1 and the First Proposed Amendment previously consulted on.

² FSRA is required by s. 22(7) of the FSRA Act to publish a notice of proposed changes on its website, if FSRA proposes material changes to a proposed rule.

Blackline of UDAP Rule

Please refer to Appendix C of this Publication for a blackline of the UDAP Rule showing the changes made to the existing in force UDAP Rule by Board Approved Amendment 1.

Appendix A – Board Approved Amendment 1

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO
RULE 2020 – 002
Unfair or Deceptive Acts or Practices

Amendment 1 – Deferred Sales Charges – Issuing and Changing Individual Variable Insurance Contracts

1. Rule 2020 – 002 Unfair or Deceptive Acts or Practices (the “**UDAP Rule**”) is amended by this Amendment 1 – Deferred Sales Charges – Issuing and Changing Individual Variable Insurance Contracts (the “**Board Approved Amendment 1**”).

2. S. 1(1) of the UDAP Rule is amended,
 - (a) By adding the following paragraph,

(vii.1) “Deferred sales charge”

 - (a) means,
 - (i) a fee or charge that the insured with respect to an individual variable insurance contract is required to pay under the individual variable insurance contract because the insured,
 - (1) makes a withdrawal from a segregated fund, or
 - (2) changes the sales charge option that applies to any investment in a segregated fund under the individual variable insurance contract,and where the fee or charge is calculated based on a percentage of the amount that is withdrawn or affected by the change, and/or the original cost of the units redeemed or affected by the change, according to a predetermined calculation or schedule set out in the individual variable insurance contract,
 - (ii) a fee or charge that the insured with respect to an individual variable insurance contract is required to pay under the individual variable insurance contract because the insured does not make payments when required under the individual variable insurance contract, or
 - (iii) any fee or charge with respect to a segregated fund in an individual variable insurance contract that a reasonable insurer would consider to be a deferred sales charge,

(b) but does not include,

- (i) a fee or charge the insured is only required to pay at the time they deposit funds to the individual variable insurance contract,
- (ii) a fee or charge the insured is required to pay because the insured moves money among investment options within the individual variable insurance contract more often than the individual variable insurance contract permits without charge,
- (iii) a short term trading fee the insured is required to pay if the insured withdraws money from the individual variable insurance contract, or moves money among investment options within the individual variable insurance contract, within 90 days of investing the money, or
- (iv) a market value adjustment the insured is required to pay that is calculated based on changes in interest rates, but not based on compensation an agent received with respect to the investment,

(b) By adding the following paragraph,

- (vii.2) “Individual variable insurance contract” means an individual contract of life insurance under which the insurer’s liabilities vary in amount depending upon the market value of a specified group of assets in a segregated fund. Individual variable insurance contract includes a provision in an individual contract of life insurance under which policy dividends are deposited in a segregated fund,

(c) By adding the following paragraph,

- (vii.3) “Person” has the meaning ascribed to such term in s. 438 of the Act,

(d) By adding the following paragraph,

- (x.1) “Segregated fund” has the meaning ascribed to such term in s. 1(1) of O. Reg. 132/97: VARIABLE INSURANCE CONTRACTS,

(e) By repealing s. 2(1) and replacing it with the following,

- 2(1) For the purposes of the definition of “unfair or deceptive act or practice” in section 438 of the Act, conduct, including inaction or omission, which results in, or could reasonably be expected to result in the outcomes, events or circumstances set out in s. 3 through s. 12 of this Rule is prescribed as an unfair or deceptive act or practice.

(f) By repealing s. 2(2) and replacing it with the following,

2(2) For the purposes of determining what conduct, including inaction or omission, could be reasonably expected to result in the outcomes, events or circumstances set out in s. 3 through s. 12 of this Rule,

(i) if the action or conduct, including inaction or omission is committed by,

(a) an agent, broker, adjuster, insurer or any director, officer, employee or authorized representative of an agent, broker, adjuster or insurer, or

(b) any person, or any director, officer, employee or authorized representative of that person, who provides goods or services to a claimant which are fully or partially expected to be paid for through the proceeds of insurance, including for greater clarity and without limitation, automotive repair, towing and storage services,

then an outcome, event or circumstance will be deemed to be reasonably expected if it would be expected by a reasonable person in that person's business or profession with full knowledge of all and any facts and circumstances that person knew about or, with reasonable diligence under the circumstances, ought to, have known, or

(ii) if the action or conduct, including inaction or omission, is committed by a person not listed in (i) then an outcome, event or circumstance will be deemed to be reasonably expected if it would be expected by a reasonable person in that person's position with knowledge of all and any relevant facts and circumstances that person knew about or ought to, with reasonable diligence under the circumstances, have known.

3. The UDAP Rule is amended by adding the following parts:

11 Deferred Sales Charges – New Individual Variable Insurance Contracts

11(1) An insurer issuing an individual variable insurance contract on or after June 1, 2023, under which a person can make an investment that may be subject to a deferred sales charge.

11(2) For the purposes of s. 11(1) of this Rule, an insurer is not considered to "issue" an individual variable insurance contract where a person has an existing individual variable insurance contract with the insurer and the insurer issues a replacement individual variable insurance contract on substantially

similar terms and conditions, except any changes required by applicable tax or pension laws, including issuing a contract in connection with,

- (i) converting a registered retirement savings plan to a registered retirement income fund contract,
- (ii) converting a locked-in retirement account to a life income fund contract, or
- (iii) transferring ownership of the individual variable insurance contract.

11(3) A replacement individual variable insurance contract is not substantially similar for the purposes of s. 11(2) of this Rule unless the calculation of each deferred sales charge on investments under the replacement individual variable insurance contract reflects the time the money was invested on a deferred sales charge basis under a replaced individual variable insurance contract, if any, rather than reflecting a period starting from the date on which the replacement individual variable insurance contract is issued.

12 Deferred Sales Charges – All Individual Variable Insurance Contracts

12(1) An insurer amending an individual variable insurance contract, or exercising a right under an individual variable insurance contract, to add, withdraw or change a sales charge option on or after June 1, 2023, if, as a result,

- (i) the individual variable insurance contract may permit or require an insured to pay a deferred sales charge, or
- (ii) a reasonable person would believe a deferred sales charge under the individual variable insurance contract becomes less favourable to the insured, including any change that,
 - (a) increases the amount of the investment which is or may be subject to a deferred sales charge,
 - (b) increases the duration of a deferred sales charge,
 - (c) increases the amount payable in any given circumstances under a deferred sales charge, or
 - (d) extends the circumstances that trigger payment of a deferred sales charge.

4. The UDAP Rule is amended by re-numbering:
 - (a) Part 11 as Part 13; and
 - (b) the sections in Part 13 in accordance with the amendment in clause 4(a).

5. This Board Approved Amendment 1 will come into force,
 - (i) 15 days after being approved by the Minister, or
 - (ii) in accordance with s. 24(2)(b) of the *Financial Services Regulatory Authority of Ontario Act, 2016*, S.O. 2016, c. 37, Sched. 8, as applicable, if the Minister does not accept such subsections, reject such subsections or return such subsections to the Authority for further consideration.

Appendix B – First Proposed Amendment (Blackline)

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO
RULE 2020 – 002
Unfair or Deceptive Acts or Practices

Amendment 1 – Deferred Sales Charges – Issuing and Changing Individual Variable Insurance Contracts

1. Rule 2020 – 002 Unfair or Deceptive Acts or Practices (the “**UDAP Rule**”) is amended by this Amendment 1 – Deferred Sales Charges – Issuing and Changing Individual Variable Insurance Contracts (the “Board Approved Amendment 1”).

2. S. 1(1) of the UDAP Rule is amended,
 - (a) By adding the following paragraph,
 - (vii.1) “Deferred sales charge”
 - (a) means,
 - (i) a fee or charge that the insured with respect to an individual variable insurance contract is required to pay under the individual variable insurance contract because the insured,
 - ~~(a) (1)~~ makes a withdrawal from a segregated fund, or
 - ~~(b) (2)~~ changes the sales charge option that applies to any investment in a segregated fund under the individual variable insurance contract,
 - and where the fee or charge is calculated based on a percentage of the amount that is withdrawn or affected by the change, and/or the original cost of the units redeemed or affected by the change, according to a predetermined calculation or schedule set out in the individual variable insurance contract,
 - (ii) a fee or charge that the insured with respect to an individual variable insurance contract is required to pay under the individual variable insurance contract because the insured does not make payments when required under the individual variable insurance contract, or
 - ~~(iii) a fee or charge that the insured with respect to an individual variable insurance contract is required to pay that is described in the individual variable insurance contract by one of the~~

~~following terms, or a term substantially similar to any of these terms,~~

~~(a) deferred sales charge, DSC, DSC sales charge, DSC charge, DSC fee,~~

~~(b) low load sales charge, low load charge, low load fee, low sales charge, or~~

~~(c) back-end sales charge, back-end load, back-end charge, back-end fee, or~~

~~(iv) (iii) any fee or charge with respect to a segregated fund in an individual variable insurance contract that a reasonable insurer would consider to be a deferred sales charge,~~

~~provided however and despite the foregoing, a deferred sales charge does not include,~~

(b) but does not include,

~~(a) (i) a fee or charge the insured is only required to pay at the time they deposit funds to the individual variable insurance contract,~~

~~(b) (ii) a fee or charge the insured is required to pay because the insured moves money among investment options within the individual variable insurance contract more often than the individual variable insurance contract permits without charge,~~

~~(c) (iii) a short term trading fee the insured is required to pay if the insured withdraws money from the individual variable insurance contract, or moves money among investment options within the individual variable insurance contract, within 90 days of investing the money, or~~

~~(d) (iv) a market value adjustment the insured is required to pay that is calculated based on changes in interest rates, but not based on compensation an agent received with respect to the investment,~~

(b) By adding the following paragraph,

(vii.2) "Individual variable insurance contract" means an individual contract of life insurance under which the insurer's liabilities vary in amount depending upon the market value of a specified group of assets in a segregated fund. Individual variable insurance contract includes a

provision in an individual contract of life insurance under which policy dividends are deposited in a segregated fund,

(c) By adding the following paragraph,

(vii.3) "Person" has the meaning ascribed to such term in s. 438 of the Act,

(d) By adding the following paragraph,

(x.1) "Segregated fund" has the meaning ascribed to such term in s. 1(1) of O. Reg. 132/97: VARIABLE INSURANCE CONTRACTS,

(e) By repealing s. 2(1) and replacing it with the following,

2(1) For the purposes of the definition of "unfair or deceptive act or practice" in section 438 of the Act, conduct, including inaction or omission, which results in, or could reasonably be expected to result in the outcomes, events or circumstances set out in s. 3 through s. 12 of this Rule is prescribed as an unfair or deceptive act or practice.

(f) By repealing s. 2(2) and replacing it with the following,

2(2) For the purposes of determining what conduct, including inaction or omission, could be reasonably expected to result in the outcomes, events or circumstances set out in s. 3 through s. 12 of this Rule,

(i) if the action or conduct, including inaction or omission is committed by,

(a) an agent, broker, adjuster, insurer or any director, officer, employee or authorized representative of an agent, broker, adjuster or insurer, or

(b) any person, or any director, officer, employee or authorized representative of that person, who provides goods or services to a claimant which are fully or partially expected to be paid for through the proceeds of insurance, including for greater clarity and without limitation, automotive repair, towing and storage services,

then an outcome, event or circumstance will be deemed to be reasonably expected if it would be expected by a reasonable person in that person's business or profession with full knowledge of all and any facts and circumstances that person knew about or, with reasonable diligence under the circumstances, ought to, have known, or

- (ii) if the action or conduct, including inaction or omission, is committed by a person not listed in (i) then an outcome, event or circumstance will be deemed to be reasonably expected if it would be expected by a reasonable person in that person's position with knowledge of all and any relevant facts and circumstances that person knew about or ought to, with reasonable diligence under the circumstances, have known.

3. The UDAP Rule is amended by adding the following parts:

11 Deferred Sales Charges – New Individual Variable Insurance Contracts

11(1) An insurer issuing an individual variable insurance contract on or after June 1, 2023, under which a person can make an investment that may be subject to a deferred sales charge.

11(2) For the purposes of s. 11(1) of this Rule, an insurer is not considered to "issue" an individual variable insurance contract where a person has an existing individual variable insurance contract with the insurer and the insurer issues a replacement individual variable insurance contract on ~~the same~~ substantially similar terms and conditions, except any changes required by applicable tax or pension laws, including issuing a contract in connection with,

- (i) converting a registered retirement savings plan to a registered retirement income fund contract,
- (ii) converting a locked-in retirement account to a life income fund contract, or
- (iii) transferring ownership of the individual variable insurance contract.

11(3) A replacement individual variable insurance contract is not substantially similar for the purposes of s. 11(2) of this Rule unless the calculation of each deferred sales charge on investments under the replacement individual variable insurance contract reflects the time the money was invested on a deferred sales charge basis under a replaced individual variable insurance contract, if any, rather than reflecting a period starting from the date on which the replacement individual variable insurance contract is issued.

12 Deferred Sales Charges – All Individual Variable Insurance Contracts

12(1) An insurer amending an individual variable insurance contract, or exercising a right under an individual variable insurance contract, to add, withdraw or change a sales charge option on or after June 1, 2023, if, as a result,

- (i) the individual variable insurance contract may permit or require an insured to pay a deferred sales charge, or
- (ii) a reasonable person would believe a deferred sales charge under the individual variable insurance contract becomes less favourable to the insured, including any change that,
 - (a) increases the amount of the investment which is or may be subject to a deferred sales charge,
 - (b) increases the duration of a deferred sales charge,
 - (c) increases the amount payable in any given circumstances under a deferred sales charge, or
 - (d) extends the circumstances that trigger payment of a deferred sales charge.

4. The UDAP Rule is amended by re-numbering:

- (a) Part 11 as Part 13; and
- (b) the sections in Part 13 in accordance with the amendment in clause 4(a).

5. This Board Approved Amendment 1 will come into force,

- (i) 15 days after being approved by the Minister, or
- (ii) in accordance with s. 24(2)(b) of the *Financial Services Regulatory Authority of Ontario Act, 2016*, S.O. 2016, c. 37, Sched. 8, as applicable, if the Minister does not accept such subsections, reject such subsections or return such subsections to the Authority for further consideration.

Appendix C – Blackline of the UDAP Rule

Unfair or Deceptive Acts or Practices

1 Interpretation

1(1) In this Rule,

- (i) “Act” means the *Insurance Act*, R.S.O. 1990, c. I.8, as amended,
- (ii) “Affiliated insurer” means an insurer that is considered to be affiliated with another insurer under s. 414(3) of the Act,
- (iii) “Authorized representative” means a person who is authorized by another person to act on such person’s behalf,
- (iv) “Claimant” means a person who claims statutory accident benefits or who otherwise claims any benefit, compensation or payment under a contract of insurance,
- (v) “Contract of insurance” means,
 - (a) for a contract of life insurance, has the meaning ascribed to such term in s. 171(1) of the Act,
 - (b) for a contract of accident and sickness insurance, has the meaning ascribed to such term in s. 290 of the Act, and
 - (c) for a contract of insurance not referred to in (a) or (b), has the meaning ascribed to “contract” in s. 1 of the Act,
- (vi) “Credit information” means information about a person’s creditworthiness, including a person’s credit score, credit-based insurance score, credit rating and information about or derived in whole or in part from such individual’s occupation, previous places of residence, number of dependants, educational or professional qualifications, current or previous places of employment, estimated income, outstanding debt obligations, past debt payment history, cost of living obligations and assets,
- (vii) “Declination grounds” means the grounds on which an insurer is authorized under the Act to decline to issue or to terminate or refuse to renew a contract of automobile insurance or to refuse to provide or continue a coverage or endorsement,

(vii.1) “Deferred sales charge”

(a) means,

(i) a fee or charge that the insured with respect to an individual variable insurance contract is required to pay under the individual variable insurance contract because the insured,

(1) makes a withdrawal from a segregated fund, or

(2) changes the sales charge option that applies to any investment in a segregated fund under the individual variable insurance contract,

and where the fee or charge is calculated based on a percentage of the amount that is withdrawn or affected by the change, and/or the original cost of the units redeemed or affected by the change, according to a predetermined calculation or schedule set out in the individual variable insurance contract,

(ii) a fee or charge that the insured with respect to an individual variable insurance contract is required to pay under the individual variable insurance contract because the insured does not make payments when required under the individual variable insurance contract, or

(iii) any fee or charge with respect to a segregated fund in an individual variable insurance contract that a reasonable insurer would consider to be a deferred sales charge,

(b) but does not include,

(i) a fee or charge the insured is only required to pay at the time they deposit funds to the individual variable insurance contract,

(ii) a fee or charge the insured is required to pay because the insured moves money among investment options within the individual variable insurance contract more often than the individual variable insurance contract permits without charge,

(iii) a short term trading fee the insured is required to pay if the insured withdraws money from the individual variable insurance contract, or moves money among investment options within the individual variable insurance contract, within 90 days of investing the money, or

(iv) a market value adjustment the insured is required to pay that is calculated based on changes in interest rates, but not based on compensation an agent received with respect to the investment,

(vii.2) "Individual variable insurance contract" means an individual contract of life insurance under which the insurer's liabilities vary in amount depending upon the market value of a specified group of assets in a segregated fund.

Individual variable insurance contract includes a provision in an individual contract of life insurance under which policy dividends are deposited in a segregated fund.

(vii.3) "Person" has the meaning ascribed to such term in s. 438 of the Act.

(viii) "Prohibited factor" means,

- (a) any reason or consideration that, under section 5 of Regulation 664 of the Revised Regulations of Ontario, 1990 (Automobile Insurance), made under the Act, insurers are prohibited from using in the manner described in that section,
 - (b) any fact or factor that, under section 16 of Regulation 664 of the Revised Regulations of Ontario, 1990 (Automobile Insurance), insurers are prohibited from using as elements of a risk classification system, or
 - (c) any other factor that the Authority determines is an estimate of, a surrogate for or analogous to a prohibited factor referred to in clause (a) or (b),
- (ix) "Reasonable person" means a reasonable and prudent person in the same or similar circumstances as, and in the position of, and/or with the same licensing status of, the person in question, having regard to any applicable professional standards, best industry practices or codes of conduct, who has full knowledge of all and any relevant facts or circumstances,
- (x) "Schedule" means the Statutory Accident Benefits Schedule — Effective September 1, 2010 and all previous Statutory Accident Benefit Schedules for which there are active claims,

(x.1) "Segregated fund" has the meaning ascribed to such term in s. 1(1) of O. Reg. 132/97: VARIABLE INSURANCE CONTRACTS.

- (xi) "Substantially deficient" means that the delivery of goods or services fell below the standard required in the oral or written agreement to provide those goods or services to an extent or in such a manner that a significant part or the whole of the goods or services was unfit for the purposes intended from the perspective of a reasonable person who is in the position of the intended recipient of those goods or services,
- (xii) "Unreasonable consideration" means an amount being paid or sought for goods or services provided to a claimant that a reasonable person, in the position of the provider of those goods or services, would not charge or seek, or would not expect a reasonable person who is in the position of the recipient of the goods or services, to accept.

- 1(2) In addition to s. 1(1) of this Rule, if a term or phrase used in this Rule is defined in the Act, that definition shall apply for the purposes of this Rule.
- 1(3) For greater clarity, in determining what amounts to a reasonable person who is an insurer, the reasonable person will be deemed to have a level of knowledge and expertise commensurate to that insurer's nature, size, complexity, operations and risk profile.
- 1(4) If a person has committed an unfair or deceptive act or practice, then every director, officer, employee or authorized representative of that person shall be deemed to have committed an unfair or deceptive act or practice if that director, officer, employee or authorized representative,
- (i) causes, authorizes, permits, acquiesces or participates in the commission of an unfair or deceptive act or practice by the person, or
 - (ii) fails to take all reasonable care in the circumstances to prevent the person from committing an unfair or deceptive act or practice.
- 1(5) References in this Rule to a form approved by the Chief Executive Officer are deemed to include the last form approved by the Superintendent for the purposes of the relevant provision prior to the day section 22 of Schedule 13 to the *Plan for Care and Opportunity Act (Budget Measures), 2018* came into force until the Chief Executive Officer approves a subsequent form for the purposes of this section.

2 Unfair or Deceptive Act or Practice

- 2(1) For the purposes of the definition of "unfair or deceptive act or practice" in section 438 of the Act, conduct, including inaction or omission, which results in, or could reasonably be expected to result in the outcomes, events or circumstances set out in s. 3 through s. ~~10~~12 of this Rule is prescribed as an unfair or deceptive act or practice.
- 2(2) For the purposes of determining what conduct, including inaction or omission, could be reasonably expected to result in the outcomes, events or circumstances set out in s. 3 through s. ~~10~~12 of this Rule,
- (i) if the action or conduct, including inaction or omission is committed by,
 - (a) an agent, broker, adjuster, insurer or any director, officer, employee or authorized representative of an agent, broker, adjuster or insurer, or
 - (b) any person, or any director, officer, employee or authorized representative of that person, who provides goods or services to a claimant which are fully or partially expected to be paid for through the proceeds of insurance, including for greater clarity and without limitation, automotive repair, towing and storage services,

then an outcome, event or circumstance will be deemed to be reasonably expected if it would be expected by a reasonable person in that person's business or profession with full knowledge of all and any facts and circumstances that person knew about or, with reasonable diligence under the circumstances, ought to, have known, or

- (ii) if the action or conduct, including inaction or omission, is committed by a person not listed in (i) then an outcome, event or circumstance will be deemed to be reasonably expected if it would be expected by a reasonable person in that person's position with knowledge of all and any relevant facts and circumstances that person knew about or ought to, with reasonable diligence under the circumstances, have known.

- 2(3) S. 2(1) of this Rule does not apply to conduct by a lawyer or paralegal with respect to activities that constitute practising law or providing legal services, as the case may be, as authorized under the *Law Society Act* which results in the outcomes listed in in s. 6 of this Rule.

3 Non-Compliance with Law

- 3(1) The commission of any act prohibited under the Act, or under any regulation or Authority rule made under the Act.
- 3(2) Any provision of the Act, or a regulation or Authority rule made under the Act, not being complied with resulting in the unfair treatment or unfair discrimination of a person.
- 3(3) Non-compliance with any requirement under the Act or a regulation or Authority rule made under the Act, by the subject of an examination or purported examination.

4 Unfair Discrimination

- 4(1) Any unlawful or unfair discrimination, including any contravention of the Ontario *Human Rights Code*, in the provision or administration of insurance, or goods or services related to insurance, including,
 - (i) between individuals of the same class and of the same expectation of life, in the amount or payment or return of premiums, or rates charged for contracts of life insurance or annuity contracts, or in the dividends or other benefits payable on such contracts or in the terms and conditions of such contracts, or
 - (ii) in any rate or schedule of rates between risks in Ontario of essentially the same physical hazards in the same territorial classification.

5 Unfair Claims Practices

- 5(1) Unreasonable or unfair resolution or delay in the adjudication, adjustment or settlement of any claim, including but not limited to,
- (i) treating a claimant in an arbitrary, capricious or malicious manner,
 - (ii) not acting in good faith,
 - (iii) seeking a result which is inequitable or inconsistent with a claimant's rights under the contract,
 - (iv) imposing unreasonable or unfair costs or expenses on the (1) claims handling or dispute resolution processes, (2) goods or (3) services,
 - (v) communicating in an untimely manner or misrepresenting the rights of a claimant or obligations of an insurer under the contract, or
 - (vi) any adjuster or insurer not following fair, simple and accessible claims handling procedures or not providing a claimant timely, clear, comprehensive and accurate information about the status of its claim, the process for settling its claim or reasons for a decision made respecting its claim.
- 5(2) With respect to automobile insurance,
- (i) non-compliance with the Schedule, including but not limited to,
 - (a) payment for goods or services not being made, or
 - (b) the cost of an assessment not being paid,

without reasonable cause, within the time period prescribed in the Schedule,
 - (ii) the making of a statement by or on behalf of an insurer for the purposes of adjusting or settling a claim if that insurer knows or ought to know that the statement misrepresents or unfairly presents the findings or conclusions of a person who conducted an examination under section 44 of the Schedule, or
 - (iii) a conflict of interest not being disclosed to a person who claims statutory accident benefits.

6 Fraudulent or Abusive Conduct Related to Goods and Services Provided to a Claimant

- 6(1) Consideration being paid or sought for goods or services in connection with a claim under a contract of insurance which were not provided to a claimant or were provided in a substantially deficient manner.

- 6(2) A referral fee being solicited, demanded, paid or accepted in connection with goods or services provided to a claimant.
- 6(3) Unreasonable consideration being paid or sought for goods or services provided to a claimant.
- 6(4) With respect to automobile insurance, a claimant signing or being asked to sign, before it has been fully completed, any form or any other document that is required to be in a form approved by the Chief Executive Officer or any form or document that is specified in a guideline applicable for the purposes of the Schedule.
- 6(5) Information being communicated about the business, billing practices or licensing status of a person who provides or offers to provide goods or services to a claimant which a reasonable person who is in the position of the intended recipient would consider false, misleading or deceptive.

7 Incentives

- 7(1) Payment, rebate, consideration, allowance, gift or thing of value being offered or provided, directly or indirectly, to an insured or person applying for insurance,
 - (i) as an incentive or inducement for a person to take an action or make a decision relating to an insurance product which would not, considering the options generally available in the marketplace, be recommended as a suitable action or decision by a reasonable person licensed to sell such an insurance product,
 - (ii) which is otherwise prohibited by law,
 - (iii) in a manner which a reasonable person licensed to sell such a product would not consider to be clearly and transparently communicated to intended recipients or applied consistently,
 - (iv) in a manner which involves unfair discrimination or contributes to an anti-competitive practice, including but not limited to, tied selling or predatory pricing,
 - (v) as an incentive or inducement to purchase, renew or retain an insurance product, which provides coverages within the classes of life or accident and sickness insurance, or
 - (vi) if related to automobile insurance, which is based, in whole or in part, on, or is calculated by reference to, prohibited factors.
- 7(2) For greater clarity, s. 7(1)(i) to 7(1)(v) of this Rule also apply to any payment, rebate, consideration, allowance, gift or thing of value being offered or provided, directly or

- indirectly, as an incentive or inducement to purchase, renew or retain automobile insurance.
- 7(3) An agreement being made or offered to be made, directly or indirectly, for a premium to be paid that is different from the premium set out in the contract of insurance.
- 7(4) For the purposes of this section, clear and transparent communication includes but is not limited to providing an explanation of how the amount or value of any payment, rebate, consideration, allowance, gift or thing of value is calculated.
- 7(5) For the purposes of this section, a gift or thing of value will not be considered an incentive or inducement if that gift or thing of value is a good or service reasonably related to reducing the risk insured by the contract of insurance to which it is related.

8 Misrepresentation

- 8(1) A person receiving information, promotional materials, or advice in any form, including audio, visual, electronic, written and oral means, which a reasonable person in the position of such recipient would consider to be inappropriate, inaccurate or misleading, respecting,
- (i) the terms, benefits or advantages of any contract of insurance issued or to be issued,
 - (ii) an insurance claim, the claims process or whether a policy provides coverage, or
 - (iii) any comparison of contracts of insurance.
- 8(2) A person being charged for any premium or fee other than as stipulated in a contract of insurance.

9 Prohibited Conduct in Automobile Insurance Quotations, Applications or Renewals

- 9(1) Unfair treatment by an agent, broker or insurer to a consumer with regard to any matter relating to quotations for automobile insurance, applications for automobile insurance, issuance of contracts of automobile insurance or renewals of existing contracts of automobile insurance, including but not limited to,
- (i) variance of formal or informal processes and procedures which make it more difficult for certain persons to interact with an insurer, broker or agent for the purpose of discouraging or delaying such persons from applying for, renewing or obtaining automobile insurance,
 - (ii) using credit information or a prohibited factor,

- (iii) asking or requiring a person to provide consent to the collection, use or disclosure of any credit information, other than for the sole purpose of considering whether to provide premium financing,
 - (iv) applying any other information in a manner that is subjective or arbitrary or that bears little or no relationship to the risk assumed or to be assumed by the insurer,
 - (v) misclassifying a person or vehicle under the risk classification system used by an insurer or that an insurer is required by law to use,
 - (vi) making the issuance or variation of a policy of automobile insurance conditional on an insured having or purchasing another insurance policy,
 - (vii) engaging in unfair discrimination,
 - (viii) treating a consumer in an arbitrary, capricious or malicious manner,
 - (ix) not acting in good faith or behaving in a way that causes consumers to have a reasonable apprehension of bias, or
 - (x) communicating in an untimely manner or misrepresenting the rights of a claimant or obligations of an insurer under the automobile insurance contract.
- 9(2) Credit information about a person being collected, used or disclosed in any manner in connection with automobile insurance, other than,
- (i) for the limited purposes, if any, described in the form of application for insurance approved by the Chief Executive Officer under s. 227(1) of the Act, or
 - (ii) in accordance with the consent obtained in compliance with applicable privacy laws of the person to whom the information relates.

10 Affiliated Insurers

- 10(1) An agent, broker or insurer providing a quote or renewal for automobile insurance from an insurer, and not offering the lowest rate available from amongst that insurer and its affiliated insurers.
- 10(2) In this section “lowest rate available” is the lowest rate amongst an insurer and its affiliates which is reasonably available to be offered to an insured or potential insured, having regard to all of the circumstances, including but not limited to,
- (i) each insurer’s declination grounds,
 - (ii) each insurer’s rates and risk classification systems,

- (iii) each insurer's method of distribution, or
- (iv) whether the insurers only recently became affiliated.

11 Deferred Sales Charges – New Individual Variable Insurance Contracts

11(1) An insurer issuing an individual variable insurance contract on or after June 1, 2023, under which a person can make an investment that may be subject to a deferred sales charge.

11(2) For the purposes of s. 11(1) of this Rule, an insurer is not considered to "issue" an individual variable insurance contract where a person has an existing individual variable insurance contract with the insurer and the insurer issues a replacement individual variable insurance contract on substantially similar terms and conditions, except any changes required by applicable tax or pension laws, including issuing a contract in connection with,

- (i) converting a registered retirement savings plan to a registered retirement income fund contract,
- (ii) converting a locked-in retirement account to a life income fund contract, or
- (iii) transferring ownership of the individual variable insurance contract.

11(3) A replacement individual variable insurance contract is not substantially similar for the purposes of s. 11(2) of this Rule unless the calculation of each deferred sales charge on investments under the replacement individual variable insurance contract reflects the time the money was invested on a deferred sales charge basis under a replaced individual variable insurance contract, if any, rather than reflecting a period starting from the date on which the replacement individual variable insurance contract is issued.

12 Deferred Sales Charges – All Individual Variable Insurance Contracts

12(1) An insurer amending an individual variable insurance contract, or exercising a right under an individual variable insurance contract, to add, withdraw or change a sales charge option on or after June 1, 2023, if, as a result,

- (i) the individual variable insurance contract may permit or require an insured to pay a deferred sales charge, or
- (ii) a reasonable person would believe a deferred sales charge under the individual variable insurance contract becomes less favourable to the insured, including any change that,

(a) increases the amount of the investment which is or may be subject to a deferred sales charge.

(b) increases the duration of a deferred sales charge.

(c) increases the amount payable in any given circumstances under a deferred sales charge, or

(d) extends the circumstances that trigger payment of a deferred sales charge.

4113 Coming into Force

~~41(1)~~13(1) This Rule will come into force on the later of the date that section 1 of Schedule 5 of the *Protecting the People of Ontario Act (Budget Measures), 2021* comes into force and 15 days after the Rule is approved by the Minister.

Appendix D – Summary of Comments and Responses

Ban on Issuing new contracts with Deferred Sales Charges (“DSCs”)

Comments	Response
<p>The majority of stakeholders generally supported FSRA’s proposal to ban insurers from issuing new individual variable insurance contracts (“IVICs”) that involve DSCs. These stakeholders supported FSRA’s goal of harmonizing this requirement with other provinces’ and minimizing regulatory arbitrage between IVICs and mutual funds.</p> <p>Two agents suggested that concerns associated with DSCs are exaggerated, that DSCs are sometimes appropriate for consumers, and that the compensation associated with DSCs is important to financially support new agents when they enter the industry and begin selling IVICs.</p> <p>Another stakeholder urged FSRA to implement the DSC ban in a simple, transparent and cost-efficient way.</p>	<p>The Financial Services Regulatory Authority of Ontario (“FSRA”) appreciates the support from stakeholders for the ban on new IVIC contracts with DSCs, and FSRA’s goal of harmonizing with other insurance regulators with respect to IVICs and with securities regulators with respect to mutual funds.</p> <p>FSRA appreciates the submission from the stakeholder who suggested DSCs may sometimes be appropriate, and FSRA agrees that there may be instances where DSCs can be used appropriately. However, on balance, FSRA believes the sales charge option more often leads to unfair outcomes for customers. FSRA’s view is that it is important to provide Ontario segregated fund investors with similar protections to those enjoyed by mutual fund investors and segregated fund customers of other provinces and intend to continue work on banning DSCs.</p>

Ban on amending IVICs to add DSCs or make DSCs more onerous

Comments	Response
<p>One stakeholder noted, with appreciation, the fact that IVICs will not be amended to add DSCs or to change DSCs to become less favourable to the insured. No other stakeholders commented on this requirement.</p>	<p>FSRA thanks the stakeholder for this comment.</p>

Definition of Deferred Sales Charge

Comments	Response
<p>One stakeholder requested changes to the definition of deferred sales charge suggesting:</p> <ol style="list-style-type: none">1. in general, the definition of deferred sales charge should be simplified, taking a principles-based approach;	<ol style="list-style-type: none">1. FSRA thanks the stakeholder for these comments and notes that FSRA takes a principles-based approach to all of its guidance and Rules. However, this does not mean that all requirements will be general and subjective. FSRA believes the intended outcomes are best achieved in this case by applying an objective approach and

<ol style="list-style-type: none"> 2. subsections (ii) and (iii) in the consultation draft of the Rule are redundant and should be deleted; 3. the list of exceptions from the definition should not be exhaustive; 4. DSCs should not be prohibited on insurance products other than IVICs; 5. “more clarity is required about what is intended to be captured by section 1(1)(vii.1)(iv)(d)” with respect to the market value adjustment; and 6. on a related note to 5, clarify the prohibition on DSCs does not prohibit an insurer from applying a market value adjustment when a customer cashes money out of a guaranteed interest annuity (“GIA”) investment option before the end of the GIA’s fixed term, even if the GIA is offered within an IVIC. 	<p>regulating how insurers must comply rather than simply stating what outcome they should achieve.</p> <ol style="list-style-type: none"> 2. On further review, FSRA agrees that subsection (iii) of the definition is redundant and should be deleted; this subsection refers to all sales charge options called DSCs, low-load charges, back-end charges or anything similar. <p>However, subsection (ii) refers to a specific type of DSC that may not be addressed by the other parts of the definition of DSC, and FSRA will retain this subsection.</p> <ol style="list-style-type: none"> 3. It is unclear why the list of exceptions to the definition of deferred sale charge should be examples rather than a complete list. To protect consumers, the exceptions listed will be the only ones that apply. 4. FSRA’s intent was always that this Rule would only apply to IVICs. FSRA will update the definition of deferred sales charge to clarify this. Specifically, FSRA will update subsection (iv) of the definition of deferred sales charge to clarify that this subsection only applies to fees or charges with respect to segregated funds in IVICs. With this change, all elements of the definition of deferred sales charges that bring fees within its scope will be clear that they only apply to IVICs. 5. There is no subsection 1(1)(vii.1)(iv)(d) in the consultation draft of the Rule. Subsection (d) is an exception from the entire definition of deferred sales charge, not just the part of the definition laid out in 1(1)(vii.1)(iv). FSRA will renumber the subsections of the definition of deferred sales charge to make this clearer. 6. FSRA agrees that all market participants should have a level playing field with respect to charges associated with guaranteed interest investments. The language of the consultation draft was not intended
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	to ban market value adjustments on guaranteed interest investments that are made available through IVICs (outside the segregated funds). FSRA will update the wording in the definition of deferred sales charge to clarify that only fees or charges that relate to money in segregated funds fall under the definition of deferred sales charges under the Rule.
Exceptions from prohibition on new IVICs with DSCs	
Comments	Response
One stakeholder raised a concern about the phrasing of the exception to the prohibition on issuing new IVICs with DSCs. They noted that replacing an IVIC with a new contract should not restart the time period during which the owner will need to pay a DSC if they make a withdrawal.	FSRA agrees that if an owner makes deposits to an IVIC on a DSC basis, and the insurer later issues a replacement contract as described in the draft Rule, the replacement should not restart the DSC period for those deposits. We recognize that the current wording may imply this is not the case, but the Rule was intended to achieve this outcome. FSRA will update the wording of proposed section 11(2) of the UDAP Rule and add a new 11(3) to clarify this point.
Effective Date and Implementation Timeline	
Comments	Response
One stakeholder indicated that although insurers are working to update their products in advance of June 1, 2023, the deadline was quite tight from an operational perspective and that 18 to 24 months should usually be allowed between publishing a final rule and applying it to the industry. Other stakeholders wrote in support of banning DSCs on IVICs effective June 1, 2023, in harmony with other Canadian insurance regulators.	In February 2022, CCIR and CISRO announced that regulators across Canada would work to ban DSCs on segregated fund contracts by June 1, 2023. FSRA appreciates the steps insurers need to complete to comply with the ban in Ontario will depend on the drafting of FSRA's Rule. FSRA will take this into consideration as FSRA moves forward with supervisory efforts.
Other Upfront Compensation	
Comments	Response
A few stakeholders commented on upfront compensation generally; these comments did not relate to DSCs or the subject matter of the proposed Rule. Two stakeholders urged FSRA, in its work with CCIR and CISRO, to consider banning all upfront compensation.	While these comments do not relate to the proposed Rule, FSRA continues to work with other regulatory bodies through CCIR and CISRO on upfront compensation from insurers to agents, other than payments associated with DSCs. The public consultation on the

<p>In contrast, agents noted that customers need advice about IVICs and agents need to be paid for advice. They noted that DSCs previously allowed consumers to access advice even if the consumers could not afford to pay an agent an upfront fee. With the DSC option eliminated, agents urged FSRA to carefully consider any further action that would affect upfront payments to agents.</p>	<p>CCIR/CISRO discussion paper on upfront compensation closed in November 2022. FSRA appreciates the stakeholders' comments with respect to non-DSC upfront compensation, such as advisor chargeback, and will share the comments with other CCIR and CISRO members.</p> <p>FSRA recognizes that agents must be paid for the advice they provide to consumers and notes that insurers will still be able to do so without the DSC option. FSRA will keep the issue of access to advice in mind as FSRA continues to review other types of compensation associated with IVICs.</p>
<p>Other</p>	
<p>Comments</p>	<p>Response</p>
<p>One commenter encouraged FSRA to monitor industry practices before the amendments take effect, to avoid a rush to sell IVICs with DSCs before the Rule takes effect.</p>	<p>FSRA will continue monitoring the use of sales charge options in the sector. FSRA expects insurers and agents to sell customers products that are suitable to their needs.</p>