



October 29, 2021

Mr. Mark White
Chief Executive Officer
Financial Services Regulatory Authority of Ontario (FSRA)
5160 Yonge St, 16th floor
Toronto, ON M2N 6L9

RE: Proposed FY 2022-2023 Statement of Priorities

Dear Mr. White,

Thank you for the opportunity to provide feedback on the proposed 2022-2023 FSRA Priorities and Budget. We appreciate the emphasis that FSRA has put on collaborating with all sectors, including the life and health insurance industry, of which we are a part. We also appreciate the opportunity to be a member of the FSRA Stakeholder Advisory Committee. We look forward to a collaborative relationship as we review and address concerns with the ultimate goal of strengthening the industry while ensuring consumers have access to much-needed products and continue to be well-protected.

About Primerica

Primerica has been serving the Canadian public since 1986. Primerica Life Insurance Company of Canada (PLICC) is represented by almost 12,000 licensed life insurance agents across the country, with over 7,200 licensed to sell in Ontario. We insure almost 550,000 lives and operate in every province and territory in Canada. We have \$131 billion of individual term life insurance in-force protecting Canadian families, with \$65 billion in Ontario. We operate a \$3.4 billion segregated fund complex, serving the needs of 150,000 middle-income Canadians through our network of representatives

Primerica dedicates its efforts to providing middle-income families with access to simple yet essential products and services through one of the nation's largest exclusive (captive) sales forces. We consider our focus on middle-income Canadians one of the distinguishing features of our company. This market segment is often underserved as the cost of servicing and providing personal advice continues to grow, making smaller accounts uneconomical for many advisors and companies.

With this experience and a focus on preserving access to affordable financial products and services, we submit our comment letter on the *Proposed FY 2022-2023 Statement of Priorities and Budget* to FSRA.

Cross-Sectoral Priorities

We commend FSRA for its commitment to burden reduction and improving regulatory effectiveness. We believe this is critical to maintaining an effective insurance carriers and their related distribution channels. We support principle-based guidance that recognizes objectives and outcomes that must be aligned with consumer interests.

We believe that a focus on consumer protection is critical in fulfilling both regulatory and industry responsibilities. Priorities should be driven by real issues and risks in the marketplace. Any resolutions should be impactful and meaningful to consumers and contribute to the fair treatment of customers.



We are encouraged by FSRA's commitment to innovation and technology. We believe that when discussing alternative policy approaches to regulating Ontario's financial services ecosystem, limiting barriers to entry and innovation should be top of mind.

We ask that FSRA consider the industry's reliance on and the consumers' demand for technology as it reviews and issues guidance. The enhancement of information-sharing systems as well as new data interfaces is a strong objective and would positively impact the industry. This may also help reduce the information gap across jurisdictions and sectors. We hope to stay involved in the discussion around different models surrounding this deliverable. We would be happy to share our experience implementing client-friendly technologies that assist in operational and compliance efficiency. It is important to note that imposing a one size fits all technology solution for information sharing could lead to unnecessary burden and red tape, and therefore should be avoided.

Sector-specific: Targeted High-impact Priorities

We believe that FSRA has effectively identified the high-impact priorities and commend them for having begun to address these priorities. We understand that FSRA will be focusing on enhancing market conduct oversight to protect consumers through the Fair Treatment of Consumers Guidance and will achieve a higher standard of business conduct, with a focus on MGA oversight.

Enhanced Market Conduct Oversight to Protect Consumers

In consideration of enhanced advisor and market conduct oversight, we agree with FSRA that as industry distribution methods have evolved over the years from the traditional career channel, regulatory oversight has not. This has created some challenges in oversight. It is common for a licensee to contract with multiple insurers these days. As there is no single insurer with a complete view of that representative's entire book of business in these instances, it is important to establish a framework that offers that 360-degree view and oversight. The CLHIA had tabled solutions to this oversight and supervision dilemma in the past, and we encourage FSRA to reconsider these. With the focus on the FTC, it is appropriate that every channel of distribution bear responsibility for the fair treatment of their customers. Any new requirements for supervision should be focused on the objectives of fair treatment of customers rather than prescriptive 'one size fits all' new requirements. The focus should be on filling regulatory gaps where they exist.

We also support FSRA's efforts to work with insurance and securities regulators across Canada to develop harmonized total cost reporting disclosure requirements for segregated funds. A harmonized approach between mutual funds and segregated funds - both in content to the extent possible, as well as timing of implementation - is critical to the success of the initiative. Insurers will also need sufficient time in implementing any new requirements. Many of these changes contemplated require significant systems upgrades and changes and cannot be done in a short time frame.

We look forward to participating in FSRA's anticipated consultation on guidance on incentives and their relation to the Fair Treatment of Customers incentives. It is again important to note that any new guidance should be principles based and evidence driven, avoiding prescriptive solutions that bear no regard to the differences in distribution models and the corresponding risk to consumers.



Operationalize the title protection framework for financial planners / financial advisors

We support FSRA's effort to ensure the public is protected by bringing greater clarity and transparency to the use of titles in the provision of financial services and requiring appropriate mandatory credentials and licensing where these are absent, such as in the case of financial planners. As stated in the past, it is important to recognize that there are existing programs that offer appropriate training, licensing and oversight for advisors. Therefore, when operationalizing the new credentialing framework for financial services titles, we continue to recommend the following guiding principles:

Maintain existing training, credentialing, supervision, and fees to avoid duplication; and
Ensure that individuals licensed, supervised and regulated to provide specific services (advice, sales, account maintenance) are not subject to an additional layer of credentialing, membership, regulations or fees in order to practice in their licensed field.

We are pleased that FSRA's approach appears to be consistent with these principles. An increase in the regulatory burden would reduce access to affordable advice and products without providing additional consumer protection.

We believe that credentialing bodies should focus on oversight related to the use of titles. Provisions of oversight on the distribution of products would create a duplication as there already is an existing regulatory framework.

Complaints Resolution

FSRA has identified complaints handling as a priority for 2022-23. Before embarking on reforms in this area, we recommend a data-based review of the current state of complaint resolutions. We would like to emphasize that, in our experience, the current complaints handling regime is efficient and resolves complaints in a timely manner. The insurer-first approach to complaints resolution should be maintained as it is the most efficient. The escalation processes, including the free, impartial help through the Ombuds Service for Life and Health Insurance (OLHI), are also designed around life and health insurance consumers' unique needs. Again, the guiding principle should be fair treatment of customers, bearing in mind that imposing rigid timeframes and additional requirements can increase the cost and potentially harm the very client whose complaint we are trying to resolve.

Mortgage Brokering

As FSRA moves to implement recommendations from the 2019 report on the review of the Mortgage Brokerages, Lenders and Administrators Act, 2006, we ask that FSRA ensure that consumers continue to enjoy access to a variety of lending options. To this end, we ask that FSRA preserves the ability for representatives licensed in other sectors, such as life insurance agents, to continue to provide simple referrals. We believe there is little risk in this process as representatives only pass on contact information to licensed mortgage agents who are credentialed and regulated. On the other hand, a warm referral can be very beneficial to a consumer seeking credit as they will receive professional guidance through a mortgage broker as a result of the referral.



Budgetary Increases – Fees

We noticed the proposed budgetary increase for 2022-23 is significant. While it is important to establish a modern and proactive regulatory body to build consumer and industry confidence, we ask that FSRA consider the impact of such rapid fee increases on the industry and, by extension, the cost of products and services to clients. We strongly encourage FSRA to phase in cost increases wherever possible. Further, fees should be assessed in proportion to the cost of regulatory efforts. In other words, expenses incurred to regulate one sector should not be imposed on other sectors. We further encourage FSRA to avoid increasing fees on individual licensees as the impact on life insurance agents with small books of business, those who are new in their profession and those seeking to enter the industry will be significant. We hope FSRA will be mindful of the unintended barriers that increased fees can create for individuals looking to enter the industry.

Conclusion

We appreciate the opportunity to comment on FSRA's priorities and again thank you for forming the Stakeholder Advisory Committees. We believe this shows FSRA's commitment to working with the industry in a fair and transparent manner in addressing the issues facing the life insurance industry and its consumers. We would be happy to discuss any comments made in this letter and look forward to working with you as we move forward.

Sincerely,

[Original signed by]

Rosie Orlando
Executive Vice President and
Chief Operating Officer
Primerica Life Insurance Company of Canada