



October 8, 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 Guidance on Life Agent Reporting Requirements and Related Insurer Obligations

Independent Financial Brokers of Canada (IFB) is pleased to comment on FSRA's proposed *Guidance on Life Agent Reporting Requirements and Related Insurer Obligations*.

IFB is a national not-for-profit professional association representing 3,000+ licensed financial planners and advisors. Most IFB members are life/health insurance licensees and/or mutual fund registrants, although many hold complementary financial licenses and accreditations to allow them to offer clients a wider range of products and services. Many IFB members are licensed in Ontario. They are all members by choice.

Most IFB members are self-employed and operate small to medium-sized financial practice in their local community. They offer consumers an important alternative to the services provided by larger financial institutions, such as retail banks. IFB does not represent employees or career agents of financial firms.

The *Insurance Act* (Ontario) and its regulations govern the licensing requirements for life agents and obligations of life insurance companies. This Guidance reflects FSRA's risk-based approach to enforcement and assessing compliance of life licensees to ensure they maintain valid errors and omissions insurance, earn 30 continuing education credits in each licensing period, and identify the insurers an agent is contracted with. We agree that maintaining a system to ensure contracted agents comply with these obligations is a shared responsibility of insurers and MGAs.

Errors and Omissions Insurance

FSRA states in the Guidance that a life agent must maintain valid E&O regardless of whether they are actively selling. IFB suggests it would be helpful for FSRA to define what is meant by "actively selling" and to provide some illustrative scenarios. For example, there has been confusion in the past as to whether E&O is required for agents who are no longer selling new policies but servicing existing policies. Many licensees work in the industry on a part-time basis which can lead them to think they do not need to acquire a comparable level of coverage as a licensee working in the industry full-time.

FSRA provides a notice on the public registry of licensed agents when an agent's E&O information is not current. While this is helpful, many consumers may not be aware of the registry or know to check for this information.

We suggest FSRA include more specific information on the actions that FSRA will take if an E&O policy lapses on the licence renewal date. Some jurisdictions permit a 30-day grace period, while others will immediately suspend the agent's license if the E&O has not been updated at renewal. In the Guidance



relating to the CE requirement, for example, FSRA states it will publish enforcement actions resulting from an agent's non-compliance. We think it would be helpful if FSRA included similar wording in the E&O section.

IFB sponsors an E&O program for both individual agents and corporate entities. Based on our experience over the course of 20+ years as a plan sponsor, we have observed the following:

- Not all E&O policies are equal. IFB has seen agents coming into our program with prior coverage that does not meet Ontario's standards. We have noted instances where a policy only covers the products of one carrier. When the agent sells other products, this results in a gap in consumer protection in the event of a claim.
- Extended reporting coverage is infrequently purchased. This coverage provides important protection to consumers if their agent leaves the business. While difficult to mandate, FSRA should undertake communication that raises awareness of the importance of this product for consumers and agents. IFB has seen instances of an agent's estate, for example, incurring losses arising from a claim.
- IFB recommends unlicensed administrative staff should be covered under an agent's E&O policy. Without this coverage, consumers are at risk if a mistake is made by an unlicensed assistant.

We note that the Guidance does not mention the obligation of the E&O carrier to inform FSRA when a policy has been terminated or non-renewed. IFB's understanding is that the E&O carrier is to provide this information; however, in the past it was not acted upon. Providing clarification on FSRA's view on this would be welcomed.

Continuing Education

The information relating to CE course content on the FSRA website is clear and concise, and presented in a way that will make it easy for licensees to verify that their CE choices are appropriate. IFB recommends that this section also include guidance on the number of years an agent must retain proof of CE in the event of an audit.

Agent's Contracted Insurers

We have no comments on this section.

Thank you for the opportunity to comment. If you have any questions or wish to discuss our remarks further, please contact the undersigned or Susan Allemang, IFB's Director, Policy & Regulatory Affairs (E: sallemang@ifbc.ca).

Yours truly,
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