



April 28, 2022

Financial Services Regulatory Authority of Ontario  
25 Sheppard Avenue West, Suite 100  
Toronto, ON  
M2N 6S6

**Re: Financial Services Regulatory Authority - Consultation on its Approach to Principles-Based Regulation**

Dear Sirs/Madams:

HUB Financial Inc. appreciates the opportunity to provide comment on the Financial Services Regulatory Authority of Ontario (FSRA) consultation on Principles-Based Regulation (PBR).

HUB Financial Inc. (HUB) is one of the largest MGAs in Canada, with offices across the country and licensed in all jurisdictions. HUB represents a large number of active licensed Brokers and Agencies (regulated entities) across Canada. Our brokers are comprised of independent licensees operating in their local communities and larger scale entities, whose Agencies are licensed in multiple jurisdictions with a larger number of employed licensees and administrative support systems. Regardless of size or length of time in the industry, each has a place in the distribution of insurance products. As such, HUB's response is representative of a large constituency of the insurance industry.

HUB is generally supportive of implementing a PBR approach and of the principles outlined in the FSRA proposed Approach Guidance. HUB anticipates there will be challenges in implementation and regulating outcomes but consider this approach has sound potential for all parties concerned.

HUB believes the biggest challenge to PBR is interpretive risk. More specifically, the risk that an action will be interpreted differently by FSRA and the regulated entity. Accordingly, HUB agrees application of key Rules, which identify expectations of regulated entities, is needed in conjunction with PBR to implement an effective approach. FSRA should consider how it can reduce the impact of material differences in interpretation of a Rule and principles-based regulation and still achieve the desired outcomes.

FSRA Approach describes the need to continue to rely on detailed Rules and prescriptive requirements to ensure adequate consumer protection. FSRA intends to design Rules and guidance supporting the principles and outcomes. HUB recommends FSRA considers clarity and ease of access for stakeholders and regulated entities to the Rules and guidance developed. Regulated entities will be more inclined to refer to fewer and concise sources of rules and standards over multiple reference documents, laws and sections of the Act. FSRA expectations need to be communicated and explained, in an easy to locate and understandable way.

FSRA guidance also describes the flexibility of Insurer management teams to determine what processes and actions are required within their companies to achieve regulatory PBR objectives. Given that credit union, pension plan or insurer are specifically mentioned, is this same flexibility awarded to all regulated



entities, only those with corporate structures which include board of director and senior management frameworks, or limited to credit union, pension plans and insurers as named within the FSRA Approach document? HUB seeks confirmation of this aspect of FSRA guidance given FSRA's scrutiny of the distribution channel, and more specifically MGAs, where it expects to set out expectations pertaining to the oversight structure of MGAs in 2022.

If the intent of this approach is that insurers direct and prescribe the processes or actions that must be taken by regulated entities, including MGAs, the results will mean overlaying varying directives, processes and methods of oversight communicated by each Insurer and appears contrary to FSRA's objective to reduce regulatory burden. Insurers develop product, underwrite insurance and process claims while the MGA focus lies in the support to the manufacturers through the sales and service of life insurance products to Canadians. MGAs take into consideration the regulations underpinning our industry, how it can best support the Insurers in distribution and meeting regulatory requirements and how to best serve the Canadian consumer life insurance needs and fair treatment principles when developing its own risk-based approach to meeting regulatory requirements.

If the outcome-oriented focus of PBR vision is consistent for all Firms, MGAs can meaningfully generate processes and practices capable of achieving desired regulatory outcomes relating to Distribution. HUB would be happy to engage positively with FSRA to validate the desired outcomes are being achieved.

In observing the securities sector, major reforms came into force over a number of years in an attempt to improve investment industry conduct, practices and customer outcomes. The reforms' impact on Firm policies, procedures and costs have been significant, but have they achieved the desired outcomes? We continue to see a regular flow of enforcement and some Firms have felt it necessary to reduce product shelves and services which appear contrary to the fair outcomes for consumers.

HUB further believes there is benefit in setting higher standards for the regulated population including professional standards of conduct, education, and qualification testing is a fundamental component of ensuring consumer interests and needs are best served. These measures might serve as a good foundation for improved customer outcomes and the success of PBR.

HUB takes this opportunity to commend FSRA on its approach to stakeholder engagement and consultation. There are definite benefits of PBR, but we encourage FSRA to move cautiously as the consequences to consumers and the regulated entities could be impactful with unintended downfalls.

Sincerely,  
HUB Financial Inc.

A handwritten signature in black ink, appearing to read "A. Fink", written in a cursive style.

Andrew Fink  
President