



May 20, 2022

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

Dear Sirs/Mesdames,

**Re: Proposed Principles of Conduct for Insurance Intermediaries (Proposed Principles)**

The Investment Industry Association of Canada (the IIAC) appreciates the opportunity to provide comments on FSRA's Proposed Principles with respect to the adoption of the Canadian Insurance Services Regulatory Organizations (CISRO) "Principles of Conduct for Insurance Intermediaries" (CISRO Principles).

The IIAC is the leading national association representing Dealers who comprise the vast majority of the financial services provided to Canadian retail investors. Our members distribute a variety of securities such as insurance products, mutual funds and other managed equity and fixed income funds and provide a diverse array of portfolio management, and advisory services. A number of our members would be considered Intermediaries based on the definition in the Proposed Principles, based on their role in distributing and servicing insurance products.

**I. Harmonization and Principled Approach**

The IIAC supports a principles-based approach to regulation, that takes into consideration risk and business models. In particular, we appreciate FSRA's recognition of these values by stating:

industry has some latitude to determine how best to achieve the expected outcomes of this Guidance, and reasonably demonstrate application of this Guidance and the Principles of Conduct, as appropriate to the nature, size and complexity of their business operations and activities.

In addition, we support FSRA's direct adoption of the CISRO Principles. It is important for intermediaries that are national to have consistency in how the CISRO Principles are interpreted and applied.

**II. Interpretation and Approach**

- a. Sharing and explaining the Principles of Conduct.

We request confirmation that this processes to share the CISRO Principles will be prospective for new clients after the Effective Date. In addition, we question if it is necessary to require the CISRO Principles to be explained to clients. Elements of the CISRO Principles would be in policy and procedures already provided or available to clients, for example conflicts-of-interest. If the requirement is to remain, we believe that Intermediaries should have flexibility to determine how to satisfy the explain obligation.

b. Assessment Against Principles of Conduct.

In general, our members believe their practices would be aligned with the Principles of Conduct. However, FSRA should provide intermediaries, insurers and industry participants with sufficient time to complete their review and assessment. Given the statement by FSRA of potential corrective action by industry, or that FSRA may take enforcement action, there should be a clear timeline in which the assessment can be completed.

For example, in the Effective Date and Future Review Section, the future review should provide sufficient time after the Effective Date to enable intermediaries time to complete their assessment to determine if any changes are required and sufficient time to make those changes before any enforcement action may be contemplated by FSRA.

### III. Enforcement action

We would like to better understand what type of enforcement mechanisms FSRA intends to use against intermediaries who are noncompliant, and how FSRA intends to conduct their reviews.

### IV. Appendix B

In general, we are in agreement with the Examples of Conduct Contrary to the Principles of Conduct outlined in Appendix B. However, we note that there may be limited circumstances, related to the below examples of conduct, where FSRA should note the conduct is not contrary to the Proposed Principles.

#### **An insurance agent misrepresenting a life insurance contract for a retirement savings vehicle**

The above example should be removed or modified to reflect that there are certain life insurance contracts that can be appropriate as a retirement savings vehicle, such as segregated funds. If it is modified, we believe it should be more product specific.

#### **An insurance agent agreeing to be the Executor of a customer's estate An insurance agent is found to be the beneficiary of a client's insurance (segregated fund) policy An insurance agent borrowing funds from his customers**

The above examples are related to "personal dealings". The Investment Regulatory Organization of Canada (IIROC) regulates investment advisors, including those that may be dually licensed to also sell insurance products. IIROC Rule 3115 *Personal financial dealings*, prohibits similar conduct to those examples above by an employee or Approved Person **except** where the client/customer is a Related Person as defined by the Income Tax Act (Canada) and the transaction complies with the *Dealer Member's* policies and procedures.

We believe similar recognition should be provided in Appendix B, where the customer or client of the insurance agent is a Related Person as defined by the Income Tax Act (Canada) and the transaction complies with intermediaries' policies and procedures. Given the potential enforcement sanctions associated with noncompliance, Appendix B should be revised.

### V. Conclusion

The IIAC would be pleased to respond to any questions that you may have in respect of our comments.

Sincerely,

Investment Industry Association of Canada