

Ontario insurance regulator has several priorities for the life insurance sector

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The Financial Services Regulatory Authority of Ontario (FSRA), the Ontario insurance regulator, has identified two key areas of assessment of life and health insurers licensed in Ontario for 2020-2021.

What you need to know

FSRA's two key identified areas of assessment are:

- implementing fair treatment of customers (FTC) principles across distribution channels through the lifecycle of the insurance product; and
- reviewing the relationships between insurance companies and managing general agencies (MGAs) in the context of an ever-evolving distribution system.

Fair treatment of customers

FSRA will be reviewing insurance companies with respect to the following areas.

- **Corporate governance**—to ensure that reporting relationships between management and senior officers allow for effective oversight, and that FTC is reflected in the insurer's culture and values.
- **Agent training and outsourcing arrangements**—to evaluate policies and procedures, agent suitability and agent training.
- **Incentives and remuneration**—reviewing agent compensation structures and incentives, and confirming that the insurer periodically assesses risks to ensure appropriate products are sold to consumers.
- **Product marketing and advertising**—ensuring that the insurer provides sufficient product information to allow a customer to make an informed decision at time of sale.
- **Information provided to customers**—reviewing information provided to customers, including insurer policies and procedures, and ensuring the customer information process incorporates FTC principles.
- **Claims handling**—ensuring that claims handling process and standard processing times incorporate FTC principles.

- **Complaint handling and dispute settlement**—reviewing complaint handling and dispute settlement policies and procedures and ensuring that the insurer informs customers of its complaints processing service and its response timelines.

Similar reviews of industry performance with respect to FTC principles are being conducted in Québec and also more generally through the forum of the Canadian Council of Insurance Regulators.

Managing general agencies

FSRA does not currently regulate MGAs (Saskatchewan is the only province that has a separate license class for MGAs). However, FSRA will review the relationship between insurance companies and MGAs in the individual life insurance field with a focus on the following areas to determine if the public interest is well served and whether a revised framework for regulating and supervising distribution channels that rely on managing general agencies is needed:

- **distribution channels**—exploring the different types of distribution models insurers use, including the proportion of business written through each channel, the number of contracted agents, and the overall product delivery strategy;
- **screening and onboarding of MGAs and agents**—reviewing the insurer’s practices when screening and onboarding an MGA, its strategy for selecting MGAs, and its due diligence, policies and procedures;
- **agreements and contracts between insurance companies and MGAs**—reviewing the insurer’s written agreements with MGAs, including contractual conditions and scope, performance measures and obligations, outsourced functions and responsibilities, and agent oversight functions; and
- **supervision and monitoring of outsourced functions**—reviewing the insurer’s supervision and monitoring of its outsourced functions to MGAs, particularly agent oversight functions and responsibilities which are typically delegated to MGAs.

Title regulation and segregated funds

Along with these key areas of assessment for life insurers, FSRA will continue its work with respect to the title protection framework for financial planners and financial advisors and on increasing regulatory effectiveness for segregated funds.

To discuss these issues, please contact the author(s).

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