



Insurance Agents e-Newsletter

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The Insurance Agents e-Newsletter provides updates to insurance agents on the regulatory activities of the Financial Services Commission of Ontario (FSCO).

The newsletter is produced and distributed by FSCO.

Financial Services Commission of Ontario

5160 Yonge Street, Box 85
Toronto ON M2N 6L9

Telephone:
(416) 250-7250

Toll-free:
1-800-668-0128

TTY toll-free:
1-800-387-0584

Email:
contactcentre@fSCO.gov.on.ca

Website:
www.fSCO.gov.on.ca

Twitter:
@FSCOTweets

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en français.*

Life Insurance Product Suitability Review (point-of-sale)

The life insurance product suitability review was primarily an information gathering exercise for the Financial Services Commission of Ontario (FSCO). The review provided an understanding of the point-of-sale process used by life insurance agents in making suitable product recommendations to prospective policyholders.

Life Insurance Product Suitability Report

FSCO has prepared a **report** outlining the findings of the review.

- Best practices are largely being followed i.e. the actual practices do reflect the needs-based sales practices described in "The Approach: Servicing the Client Through Needs-Based Sales Practices"
- About 50 per cent of the agents indicated that a compliance review of their sales files had never been conducted, or at least had not been done to their knowledge
- Many of the sales activities are still largely done verbally, with no written records
- It appears that 90 per cent of agents always disclose conflicts of interest, but only 50 per cent do so in writing as required by law
- A majority of agents believe that they have a role to play in supporting their clients' financial literacy

The results from the questionnaire provide information to FSCO and the life insurance industry about promoting effective practices for assessing product suitability and proper disclosure at the point of sale.



What you can do

You can benchmark yourself against the aggregate results in the report to evaluate your own practices and identify areas for improvement. As an agent you:

- Must provide written disclosures of insurers, etc. (**section 15 of Ontario Regulation 347/04**)
- Must provide written disclosures of conflicts of interest (**section 16 of O. Reg. 347/04**)
- Should keep a written record of discussions with clients and keep copies of illustrations and

other relevant documentation given to clients

- Must maintain a current regularly monitored email address ([section 5.1 of O. Reg. 347/04](#))
- Should refer to the 'The Approach' for a guideline on industry practices

What FSCO will do

The Superintendent of Financial Services requires all agents comply with the law at all times. Following industry guidelines and conducting activities in accordance with industry best practices are ways to ensure that you are following the law. FSCO will:

- Publish a series of educational bulletins on requirements necessary to comply with the law
- Conduct follow-up life insurance agent questionnaires
- Conduct more on-site compliance reviews with life insurance agents to assess their compliance with the law
- Conduct more on-site compliance reviews with life insurance companies to assess if they are meeting their obligations under [section 12 of O. Reg. 347/04](#).

Mandatory Completion of Questionnaire

Agents selected to complete the questionnaire were notified by email on October 15, 2013 and were required to complete the questionnaire by November 15, 2013, pursuant to sections 442.1 "Inquiries" and 442.3 "Duty to Provide Information" of the Ontario Insurance Act. Because there was only a 77 per cent initial response rate to the questionnaire, it was reopened for an additional two weeks until March 26, 2014, which improved the final response rate to 92 per cent.

However, this was well below the Superintendent's expectations of compliance with a statutory request. **Regulatory action has been initiated against those agents who did not respond to the questionnaire.**

FSCO thanks all those who have participated in this important initiative as we work together to protect the interests of consumers.

Contact Us

Licensing and Market Conduct Division
Financial Services Commission of Ontario
5160 Yonge Street, Box 85
Toronto, Ontario
M2N 6L9
elicense@fSCO.gov.on.ca

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