Submission to the Ontario Ministry of Finance

Consultation on Proposed Amendments to Ontario's Life and Health Managing General Agent Licensing Framework

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About BlueMind

BlueMind is an Ontario based compliance supervision platform built for life and health insurance distribution. We work with MGAs and insurers to operate the systems this framework contemplates: ongoing conduct monitoring, risk scoring, pattern detection, case investigation, and audit ready record keeping. My perspective comes from two decades in financial services distribution and compliance leadership, including building and selling an MGA and serving as a Chief Compliance Officer. BlueMind exists for one reason: the consumer harms FSRA has documented become visible in conduct data long before they surface as complaints, and most firms have lacked the infrastructure to see them. The purpose of this submission is consumer protection and the fair treatment of customers.

We have no objection to any part of this submission being published.

Overall Position

We support the proposed narrowing of section 407.2. The original scope would have captured entities that are not MGAs in any commercial sense, duplicated existing agent licensing, and diluted FSRA's supervisory attention across thousands of low risk registrants. Narrowing licensing to entities that contract directly with insurers to supervise, monitor, or screen agents is the right structural call.

Our central message is this: the consumer protection value of this framework will be determined by supervision infrastructure, not by the number of licensed entities. Licensing decides who is accountable. It does not, by itself, produce the ongoing monitoring, pattern detection, and timely rectification that FSRA's own supervisory reviews found missing. Three things must hold for the narrowed framework to protect consumers:

- **"Supervising or monitoring"** must be defined by outcomes, in language consistent with the monitoring and pattern detection obligations in FSRA's updated proposed Rule 2025-001 (October 2025), so that the licensing trigger cannot be avoided by relabelling the activity.
- **Data visibility across the delegation chain** must survive the removal of sub-MGA licensing. Accountability for delegated activities is only enforceable if conduct data about agents operating through delegated entities flows up to the accountable licensee and insurer.
- **Standardized, outcomes based, technology neutral expectations** are needed so that MGAs contracting with many insurers face one coherent set of monitoring and reporting obligations rather than a dozen bespoke audit regimes. Duplication removed from licensing should not reappear as operational duplication.

Our responses below address the consultation questions where we believe we can add the most value.

General Scope of Capture (Questions 1 to 4)

The proposed three part test, a direct agreement with an insurer, an intermediary position between the insurer and its authorized agents, and the purpose of facilitating distribution, captures the entities commonly understood as L&H MGAs. The distinction between facilitating distribution and selling is useful and should be stated expressly in the Act, because it is the cleanest line between MGAs and corporate agents whose role is solely to sell or service policies.

Two cautions on the narrowed activity list:

- If "supervising or monitoring the activities of agents" is left undefined, entities will restructure around the label. Supervision can be described as practice management support, mentorship, production coaching, or training, none of which would trigger licensing under the proposed list. The test should be functional: an entity that reviews, directs, assesses, or is contractually responsible for the conduct of authorized agents is supervising them, whatever the agreement calls it.
- Because recruiting and training would no longer trigger licensing, the boundary between "screening" and "recruiting" needs to be clear. Point in time background screening at contracting is already well served by established industry infrastructure. Unsuitability is discovered far more often in ongoing conduct data than in initial checks. Screening should therefore be understood to include ongoing suitability assessment, not only onboarding verification.

Sufficiency of “Supervising or Monitoring” (Question 8)

The phrase is sufficient only if it is anchored to outcomes. FSRA’s proposed Rule 2025-001 already articulated the right standard in its insurer compliance system provisions, subsections 15(2) and 15(3) of the updated proposed Rule published for consultation on October 20, 2025. The substance of those provisions is that agents are monitored on an ongoing basis so that unsuitability can be identified; conduct data is monitored to identify patterns that may indicate non compliance; data or trends suggesting non compliance are investigated; and confirmed non compliance that has led, or can reasonably be expected to lead, to consumer harm is rectified in a timely and effective manner. Notably, the explicit pattern monitoring and investigation language was strengthened in that October 2025 revision relative to the original January 2025 draft, which framed the insurer compliance system obligation in more general terms. FSRA’s own drafting evolved toward data driven supervision as consultation progressed, and the legislative framework should preserve room for that direction. Those provisions were drafted as insurer obligations. We recommend that the same outcome language be used to define the supervising and monitoring role of L&H MGAs, so that the standard is consistent wherever the activity is performed in the chain.

This matters for two reasons. First, it makes the licensing trigger resistant to relabelling, as noted above. Second, it sets the standard at the level where consumer harm actually becomes visible. In practice, traditional audit programs review a small sample of files, in our experience often below a few percent, selected after the fact. Sampling at that rate is not supervision. It is documentation of supervision.

The deeper limitation is the unit of review. A file review asks whether one product was sold properly to one client. Consumer harm does not accumulate in files. It accumulates around agents: the same advisor replacing policies across many households, repeated unsuitable placements, misallocated funds. Protection requires a complete view of each agent’s conduct across all of their business, surfaced to compliance officers as insight. Technology, including AI, should inform those judgments. It should never make them. The decision to investigate, restrict, or remove an agent belongs to accountable people.

The most consistent concern we hear from distributors across the independent channel is capacity: there are not enough experienced compliance officers to supervise at the standard this framework contemplates. We agree that manual supervision cannot scale. That is exactly why the standard should be outcomes based and technology neutral. Modern monitoring systems allow a small compliance team to supervise thousands of agents by exception, so human judgment goes to investigation and rectification instead of file sampling. Our operating experience is that this level of monitoring is achievable with modern systems at MGA scale. The historical constraint in this channel has been infrastructure, not willingness or regulatory ambition, and the framework should not be calibrated down to the capabilities of legacy manual processes.

Removal of Sub-MGAs (Questions 9 and 10)

This is the highest risk element of the proposal. The consumer harms FSRA has documented arose where day to day recruiting, training, and supervision sat furthest from the insurer, and where visibility into agent conduct was weakest. Under the proposed amendments, those delegated functions move outside the licensing perimeter entirely. Accountability moving up to insurers and licensed MGAs is the right principle, but accountability without visibility is not enforceable.

We believe the removal of sub-MGAs can work, provided four conditions are built into the framework:

- **Written delegation agreements.** Any delegation of a regulated activity by a licensed MGA or insurer should require a written agreement that identifies the delegated activities and the compliance obligations attached to them.
- **Retained accountability.** The Act should state plainly that delegation does not transfer accountability. The licensed MGA or insurer remains responsible for the performance of the delegated activity as if it performed the activity itself.
- **Conduct data must flow up.** Licensees should be required to maintain records and receive conduct data covering agents who operate through delegated entities, at the same standard as agents they oversee directly. Without this, delegated functions become the least visible part of the chain, which is exactly where supervision gaps emerge. This is the single most important safeguard in the revised framework.
- **Examination reach.** FSRA's examination powers should reach delegated third parties through the licensee, so that a licensee cannot place records or functions beyond supervisory reach by delegating them.

With these conditions, we do not believe additional persons in the distribution chain need to be captured for licensing. Without them, removing sub-MGAs will recreate the supervision gap the framework was designed to close.

Exemptions (Questions 11 and 12)

The insurer exemption is sensible and consistent with avoiding duplication. On the group insurance exemption, we would flag one workaround risk: MGAs operating in both individual and group business should not be able to shelter individual distribution activities inside a group focused entity. The word "solely" carries significant weight and will need active supervision. We would support a requirement that an entity claiming the exemption attest to it, so FSRA has a register of who is relying on it.

Activities Subject to SOPs Without a Licensing Trigger (Question 13)

We strongly support decoupling standards of practice from the licensing trigger, and we support the proposed list of recruiting, training, and supervision of prospective agents. We recommend FSRA also be empowered to set standards, including roles and responsibilities, for:

- **Complaint intake and handling.** How complaints about agent conduct are received, escalated between MGAs and insurers, and resolved is a core consumer protection function and a rich source of early warning data.
- **Design and administration of compensation and incentive programs.** FSRA's supervisory findings connect how compensation and incentives are designed to the suitability of sales that result. Standards should be able to reach how incentives are structured and monitored, not only how agents are supervised after the fact.
- **Delegation of regulated activities.** The conditions in our response to Questions 9 and 10 should themselves be capable of expression as standards of practice.

Implementation and Operational Risks (Questions 15 to 17)

Fragmented oversight expectations

The largest practical risk we see is fragmentation. If each insurer builds its own bespoke oversight regime to discharge its accountability, an MGA contracting with fifteen insurers faces fifteen overlapping audit programs, questionnaires, and data requests, each structured differently. That is regulatory duplication reintroduced through the back door, and it consumes compliance capacity that should be spent monitoring agents. We recommend that FSRA, in its future rules and guidance, set standardized, outcomes based, technology neutral expectations for monitoring, record keeping, and reporting, and encourage common data standards for agent conduct information so that one well built compliance system can satisfy many insurers. Alignment with CCIR and CISRO fair treatment of customers guidance and existing CLHIA MGA oversight practices would avoid triple reporting.

Technology neutral does not mean accountability neutral. Where monitoring is performed with automated systems, including AI, expectations should require explainable, auditable records, and the licensee remains fully accountable for outcomes regardless of the tools used. Standards drafted this way let firms adopt modern systems without ever displacing responsibility.

Transition certainty

The pause of the June 1, 2026 launch was justified, but the sector is now investing in compliance systems, delegation agreements, and insurer oversight programs without a target date. We encourage MOF and FSRA to publish a revised implementation timeline, with a realistic transition period, as soon as the legislative path is settled. Certainty on timing is itself a consumer protection measure, because it determines when firms commit budget to supervision infrastructure.

Proportionality

Standards should scale with the size and risk of the licensee's agent force. Outcomes based drafting achieves this naturally: a small MGA can meet an ongoing monitoring obligation with proportionate tooling, while a large MGA with thousands of contracted agents cannot credibly meet it with manual file sampling. The obligation should be constant; the sophistication required to meet it should follow the risk. The economics of supervision are also a chain question. Standardized expectations across insurers do more to make ongoing monitoring affordable for smaller MGAs than any reduction in the standard itself.

Closing

Ontario is setting the template that other provinces will follow for MGA regulation. The narrowed framework gets the perimeter right. What will decide whether consumers are better protected is whether the obligations inside that perimeter require what FSRA's own proposed Rule already articulated: ongoing, data driven monitoring, investigation of patterns, and timely rectification of harm.

Consumer protection in this channel comes down to three outcomes. Most agents want to do right by their clients, so the system should make good advice the default path, not the hard one. When an agent is unsuitable, the data should surface them early, before harm compounds across more households. And once identified, they should be restricted or removed quickly enough that they cannot carry on, or quietly reappear elsewhere in the chain. Licensing decides who is accountable for these outcomes. Supervision infrastructure decides whether they happen. This framework should be judged, in the end, by whether it produces all three.

We would welcome the opportunity to discuss any part of this submission, including what modern supervision infrastructure makes operationally feasible for MGAs and insurers of all sizes.

Respectfully submitted,

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