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**IN THE MATTER OF** the *Insurance Act*, R.S.O. 1990, c.l.8, as amended (the “Act”), in particular sections 392.4 and 407.1;

**AND IN THE MATTER OF** World Financial Group Insurance Agency of Canada Inc.

### **NOTICE OF PROPOSAL TO IMPOSE CONDITIONS ON LICENCE**

**TO:** World Financial Group Insurance Agency of Canada Inc.  
800-5000 Yonge Street  
Toronto, ON, M2N 7E9

**TAKE NOTICE THAT** pursuant to sections 392.4 and 407.1 of the Act, by delegated authority from the Chief Executive Officer of the Financial Services Regulatory Authority of Ontario (the “Chief Executive Officer”), the Head, Licensing and Risk Assessment, Market Conduct (the “Head”) is proposing to impose the following conditions on the licence of World Financial Group Insurance Agency of Canada Inc. (“WFG”):

1. Within thirty (30) days of imposition of the conditions and every ninety (90) calendar days thereafter, WFG shall, in a format acceptable to Financial Services Regulatory Authority of Ontario (“FSRA”), report the following information about all licensed Agents/Advisors/Producers (“Licensed Agents” or “Agents”):
  - a. Legal name, title, contract/agreement start date, and FSRA licence number.
  - b. Legal name and FSRA licence number of immediate upline Agent.
  - c. Legal name and FSRA licence number of individuals under an agreement involving supervision, including a “Supervision Agreement”.
  - d. Outcomes/Actions taken in response to supervision activities reported in item (c) above.
  - e. Legal name and FSRA licence number of Agents where supervision outcomes/actions in item (d) above are reported to the relevant insurer.
2. Within fifteen (15) calendar days of requests from FSRA for further information relating to items reported in paragraph 1, WFG shall respond in writing and provide supporting documentation where required.
3. WFG shall advise FSRA within five (5) calendar days with the details of any actions, agreements, settlements, and/or Orders arising out of or related to the regulatory proceedings before the Autorité Des Marchés Financiers (“AMF”), Case No. 2022-026.
4. WFG shall advise FSRA within five (5) calendar days of any regulatory proceedings commenced against it in Canada or abroad.

Details of the reasons for this proposal are described below. This Notice of Proposal includes allegations that may be considered at a hearing.

**SI VOUS DÉSIREZ RECEVOIR CET AVIS EN FRANÇAIS**, veuillez nous envoyer votre demande par courriel immédiatement à: [contactcentre@fsrao.ca](mailto:contactcentre@fsrao.ca).

**YOU ARE ENTITLED TO A HEARING BY THE FINANCIAL SERVICES TRIBUNAL (THE “TRIBUNAL”) PURSUANT TO SECTIONS 407.1(2) AND 407.1(3) OF THE ACT.**

A hearing by the Tribunal about this Notice of Proposal may be requested by completing the enclosed Request for Hearing Form (Form 1) and delivering it to the Tribunal within fifteen (15) days after this Notice of Proposal is received by you. The Request for Hearing Form (Form 1) must be mailed, delivered, faxed or emailed to:

Address: Financial Services Tribunal  
25 Sheppard Avenue West, 7<sup>th</sup> Floor  
Toronto, Ontario  
M2N 6S6

Attention: Registrar

Fax: 416-226-7750

Email: [contact@fstontario.ca](mailto:contact@fstontario.ca)

**TAKE NOTICE THAT if you do not deliver a written request for a hearing to the Tribunal within fifteen (15) days after this Notice of Proposal is received by you, orders will be issued as described in this Notice of Proposal.**

For additional copies of the Request for Hearing Form (Form 1), visit the Tribunal's website at [www.fstontario.ca](http://www.fstontario.ca)

The hearing before the Tribunal will proceed in accordance with the *Rules of Practice and Procedure for Proceedings before the Financial Services Tribunal* (“Rules”) made under the authority of the *Statutory Powers Procedure Act*, R.S.O. 1990, c. S.22, as amended. The Rules are available at the website of the Tribunal: [www.fstontario.ca](http://www.fstontario.ca). Alternatively, a copy can be obtained by telephoning the Registrar of the Tribunal at 416-590-7294, or toll free at 1-800-668-0128 extension 7294.

At a hearing, your character, conduct and/or competence may be in issue. You may be furnished with further and or other particulars, including further or other grounds, to support this proposal.

## REASONS FOR PROPOSAL

### I. INTRODUCTION

1. These are reasons for the proposal by the Head, a delegate of the CEO, to impose conditions on the corporate insurance agent licence of WFG.

### II. BACKGROUND

2. WFG is licensed as a corporate insurance agent (licence # 26687M) under the Act.
3. WFG is a Managing General Agency (“MGA”) licensed as a corporate insurance agent in Ontario. As such, WFG has obligations under the Act, Ontario Regulation 347/04 (“Agents Regulation”) and Ontario Regulation 7/00 (“UDAP Regulation”).
4. Richard Williams is the president of WFG. The Designated Agent for WFG is Iordan Dimitrov Iordanov (“Iordanov”) (Licence #08101055).
5. On August 9, 2022, WFG submitted an application to renew the corporate insurance agent licence issued to them under the Act (the “Application”).
6. Staff of the FSRA reviewed the Application and WFG’s suitability to be licensed. Staff determined that WFG is the subject of ongoing regulatory proceedings commenced in December 2022 by the AMF which proposes to impose penalties and take administrative actions against WFG, Iordanov, and Compliance Manager, Pravish Kumar Nunkoo (“Nunkoo”) (Licence # 18171185).
7. Further, members of the Canadian Council of Insurance Regulators (CCIR), including FSRA, conducted a cooperative supervisory review with respect to Canadian Life and Health (“L&H”) insurance business at WFG. Observations in the CCIR cooperative MGA-focused thematic review – Consolidated observations report dated September 28, 2022 (“Thematic Review”) raised concerns of potential consumer harm relating to WFG’s tiered-recruitment based business model.
8. Further, through distribution agreements with various insurers, WFG is appointed to perform agent supervision related functions including, but not limited to, ensuring licensed agents comply with the Act, Regulations, and agent licensing requirements.
9. WFG does not consent to imposing conditions on the licence.
10. WFG’s licence was renewed by FSRA for one year with an expiry date of March 31, 2024.

## **Findings of the Thematic Review**

11. WFG operates on a tiered-recruitment based business model structured around recruitment and the opportunity of building business. The model consists of licensed agents recruiting individuals into the MGA. These licensed agents are contracted with WFG. There are ten (10) agent levels in the WFG hierarchy:
  - a. Training Associate (TA)
  - b. Associate (A)
  - c. Marketing Director (MD)
  - d. Senior Marketing Director (SMD)
  - e. Executive Marketing Director (EMD)
  - f. CEO Marketing Director (CEO MD)
  - g. Executive Vice Chairman (EVC)
  - h. Senior Executive Vice Chairman (SEVC)
  - i. Field Chairman (FC)
  - j. Executive Chairman (EC)
12. WFG pays commissions to licensed agents for products sold on a tiered system, based on their level within the MGA. Licensed agents may also receive compensation based on products sold by other licensed individuals who were recruited by the agent. Compensation factors include, but are not limited to, recruitment, field training and split/joint sales.
13. Between 2018 and 2021, WFG grew rapidly in terms of the number of licensed agents and sponsored agents. Overall growth of licensed agents between 2018 and 2021 was 67% in Canada and 55% in Ontario. WFG reported that from 2020 to 2021, the number of licensed agents grew at a rate of 39% Canada-wide with 48% of that growth in Ontario.
14. Since the Thematic Review, in April 2022, there were 10,586 licensed agents in Ontario affiliated with WFG, an increase from 9,409 in 2021. Out of the 10,586, 68% or 7,201 agents were licensed with FSRA for less than three years.
15. A large proportion of WFG's gross income is generated from the sale of relatively complex Permanent Life products. Approximately 93% of WFG's total gross income in Canada in 2021 was from L&H insurance business with the largest portion of approximately 50% generated from the sale of relatively complex Universal Life ("UL") products.

## **Agent Monitoring of Compliance Obligations**

16. As per the Insurer-WFG distributor agreements, WFG is appointed to recruit, manage, and monitor licensed agents who solicit and submit applications for

insurer products, including risk-based monitoring of licensed agent obligations under the applicable law.

17. The WFG training and supervision framework is largely based on delegation to upline agents. When asked as part of the Thematic Review if WFG has documented policies and procedures specifically related to licensed agent monitoring and supervision, WFG stated that it does not perform direct monitoring and supervision of agents. WFG also reported it has no specific individuals or departments formally overseeing the entire licensed agent monitoring function.
18. With the rapid increase in the number of licensed agents, WFG does not perform risk assessments to identify those for proactive review and reported it conducted zero proactive reviews between 2018 and 2021.

### **III. SUITABILITY CONCERNS MERITING CONDITIONS**

19. Section 392.4 of the Act states that the Chief Executive Officer may refuse to issue a licence where the Chief Executive Officer believes, on reasonable grounds, that the applicant is not suitable to be licensed having regard to such circumstances as may be prescribed and such other matters as the Chief Executive Officer considers appropriate.
20. Section 8 of Ontario Regulation 347/04 prescribes the circumstances the Chief Executive Officer may have regard to when determining whether an applicant is not suitable to be licensed, namely if it appears that the licensee has:
  - a) Violated any provision of the licence in the licensee's operations as an agent;
  - b) Made a material misstatement or omission in the application for the licence;
  - c) Been guilty of a fraudulent act or practice; or
  - d) Demonstrated incompetence or untrustworthiness to transact the insurance agency business for which the licence has been granted.
21. The Thematic Review identified multiple gaps in WFG's operations resulting in a lack of oversight of the agent-related delegated functions. The lack of direct agent monitoring, delegation of monitoring functions without verifying completion of delegated functions, and no formal proactive agent reviews, in combination with a large proportion of gross income generated from the sale of relatively complex Permanent Life products by newly licensed agents, raise concerns about potential consumer harm.
22. The multiple gaps in WFG's operation may demonstrate incompetence or untrustworthiness to transact the insurance agency business for which the licence has been granted.

#### **IV. GROUNDS FOR IMPOSING CONDITIONS ON THE LICENCE**

23. Section 392.4(4) of the Act states that if the Chief Executive Officer proposes to issue the licence and, without the applicant's consent, to impose conditions on the licence, the Chief Executive Officer shall take the steps required by section 407.1 of the Act.
24. The Head believes that the above facts require regular reporting through the imposition of conditions on WFG's licence to monitor the risks to consumers and the insurance sector.
25. The AMF has commenced proceedings to impose penalties and take administrative actions against WFG, Iordanov and Nunkoo. The Head believes that pending a determination, and having regard to FSRA's statutory objects, the AMF proceedings raise reasonable grounds about WFG's suitability to be licensed. In addition to assessing suitability, conditions on the licence are necessary to monitor WFG while AMF proceedings are pending.
26. The Head believes that the conditions are not onerous and represent a proportionate response to the issues identified.
27. For these reasons, and subject to such further to other particulars as may come to the attention of the Head, the Head proposes to impose conditions on the licence under the Act.

**DATED** at Toronto, Ontario, April 3, 2023

Wendy Horrobin  
Head, Licensing and Risk Assessment, Market Conduct

By delegated authority from the Chief Executive Officer