

Advisory

Elimination of Deferred Sales Charges

Date: May 18, 2023

Distribution: All Life Insurance Companies Authorized to Conduct Business in British Columbia

Advisory Number: 23-022

PURPOSE

The purpose of this Advisory is to notify life insurance companies authorized to conduct business in British Columbia that effective June 1, 2023, BC Financial Services Authority (“BCFSA”) will be instructing life insurance companies to refrain from including or using deferred sales charges (“DSCs”) when issuing individual variable insurance contracts (“IVICs”).

ADDITIONAL INFORMATION

Each of the participating jurisdictions of the Canadian Securities Administrators (“CSA”) adopted rules to end DSCs on mutual funds, effective June 1, 2022. Both the Canadian Council of Insurance Regulators and the Canadian Insurance Services Regulatory Organizations have urged insurers to refrain from including or using DSCs in the sale of new IVICs by no later than June 1, 2023.

As outlined in [Regulatory Statement 23-015](#), the Superintendent of Financial Institutions’ position is that DSCs on IVICs might reasonably be expected to harm the interests of insureds per Section 244(2)(e)(ii) of the *Financial Institutions Act*. Accordingly, effective June 1, 2023, BCFSA instructs all life insurance companies authorized to conduct insurance business in B.C. to refrain from issuing IVICs that are subject to a DSC. With respect to IVICs issued before June 1, 2023, BCFSA will be aligning its approach with other regulators as they finalize their regulatory guidance to ensure fair treatment of consumers, including adequate disclosure of total fees and charges.

The Superintendent of Financial Institutions is concerned about potential harm to consumers from DSCs and wishes to avoid regulatory arbitrage in the sale of IVICs or mutual fund products. These actions are aimed at protecting consumers from potentially harmful practices in the sale of IVICs and promoting transparency and fairness in the insurance industry.

For questions or to request a meeting with BCFSA in respect of this Advisory or accompanying Regulatory Statement, please contact the BCFSA Market Conduct Branch at insurance@bcfsa.ca.