

May 31, 2022

Mr. Mark White, CEO; and
Financial Services Regulatory Authority of Ontario
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Re: CAFII Feedback Submission on FSRA's Use of Retained Revenues under Regulation "Money Retained Outside the Consolidated Fund" Guidance

Dear Mr. White:

The Canadian Association of Financial Institutions in Insurance (CAFII) thanks the Financial Services Regulatory Authority of Ontario (FSRA) for the opportunity to review and provide feedback on FSRA's **Use of Retained Revenues under Regulation "Money Retained Outside the Consolidated Fund" Guidance**.

Our response submission will be brief. We largely agree with both the intent and the operational specifics set out in the Guidance. We have just two feedback comments of strategic importance to offer, along with several other operational and housekeeping feedback comments.

In CAFII's view, it is appropriate for FSRA to retain revenues from administrative monetary penalties (AMPs); and that FSRA's deployment of those retained revenues to fund research or educational initiatives which are intended to "enhance financial literacy, financial awareness, knowledge of rights and obligations or the informed decision making of consumers..." is unquestionably in the public interest and therefore entirely appropriate.

Our first feedback comment of strategic significance arises from the following pivotal observation in the Guidance: "The total amount of AMPs imposed and collected can vary dramatically year to year."

For that very reason, FSRA's planning for annual research can be adversely affected if a key source of its funding, i.e. AMPs, is highly variable and unpredictable. Given that unavoidable reality, we agree with and support the approach outlined that "As part of the planning process, the Consumer office will choose the percentage of funds retained for in-year requests. The percentage could be zero"; and we also agree with and support the flexibility-rooted provisions that

- *Per the Regulation, FSRA may choose to hold-over all or part of the funds from one fiscal year to the next; and*
- *Where the cost of a selected initiative(s) exceeds available Retained Revenues, the initiative may be supplemented with funds from other approved sources.*

Considering those background factors in totality, CAFII's recommendation to FSRA is that, in the interests of achieving funding predictability and stability for worthwhile research and educational initiatives,

- the Guidance should be amended to assign such Retained Revenues to an ongoing, rolling, multi-year pool of funds – one conceptually similar to an endowment; and
- that a portion of the rolling, multi-year pool of funds be drawn annually for research and educational initiatives, in accordance with the related evaluation and assessment criteria and governance processes itemized in the Guidance.

That approach would have the benefit of 'smoothing out' the funds available annually for research and education initiatives and, at the same time, would alleviate much of the uncertainty and 'drag' that unpredictability around funding levels can create.

Our second feedback comment of strategic significance arises from the critically important Clauses 3.5 and 3.6. CAFII strongly supports the requirement that FSRA make all reasonable efforts to use Retained Revenues in relation to the regulated sector that the money came from or proportionately across multiple regulated sectors (Clause 3.5), along with the related accountability reporting requirements (Clause 3.6).

That being the case, we recommend that FSRA amend the Guidance to include a requirement that the Authority provide an annual accountability and transparency report to the industry – broken down by sector – on its implementation of the ***Use of Retained Revenues under Regulation "Money Retained Outside the Consolidated Fund" Guidance***.

Operational and Housekeeping Feedback

- CAFII wishes to inquire as to why, if the Guidance became effective on August 3, 2021 – and it has already been a *fait accompli* for nearly a year -- a related consultation with affected industry stakeholders is only occurring in May 2022?;
- Clause 2.1: requires a comma after the word "entities" for clarity and to avoid reader confusion;
- Clause 3.6: the word "be" is missing immediately prior to the words "fulfilled/advanced";
- Clause 4.1.2: there is an unnecessary comma in front of the word "seek" which causes the reader confusion; and
- Clause 4.4.1: there is a typo in the final sentence of this clause, which can be corrected as follows: "The CEO will ~~approval~~ approve all project funding."

CAFII thanks FSRA again for the opportunity to provide our Association's feedback on the Authority's **Use of Retained Revenues under Regulation "Money Retained Outside the Consolidated Fund" Guidance**. We also convey our appreciation for FSRA's continuing to "walk the talk" on its commitment to open and transparent communication and consultation. Should you require further information from CAFII or wish to meet with representatives from our Association on this or any other matter at any time, please contact Keith Martin, CAFII Co-Executive Director, at keith.martin@cafii.com or 647-460-7725.

Sincerely,



Rob Dobbins
Board Secretary and Chair, Executive Operations Committee

About CAFII

CAFII is a not-for-profit industry Association dedicated to the development of an open and flexible insurance marketplace. Our Association was established in 1997 to create a voice for financial institutions involved in selling insurance through a variety of distribution channels. Our members provide insurance through client contact centres, agents and brokers, travel agents, direct mail, branches of financial institutions, and the internet.

CAFII believes consumers are best served when they have meaningful choice in the purchase of insurance products and services. Our members offer credit protection, travel, life, health, and property and casualty insurance across Canada. In particular, credit protection insurance and travel insurance are the product lines of primary focus for CAFII as our members' common ground.

CAFII's diverse membership enables our Association to take a broad view of the regulatory regime governing the insurance marketplace. We work with government and regulators (primarily provincial/territorial) to develop a legislative and regulatory framework for the insurance sector which helps ensure that Canadian consumers have access to insurance products that suit their needs. Our aim is to ensure that appropriate standards are in place for the distribution and marketing of all insurance products and services.

CAFII's members include the insurance arms of Canada's major financial institutions – BMO Insurance; CIBC Insurance; Desjardins Insurance; National Bank Insurance; RBC Insurance; Scotiabank Financial; and TD Insurance – along with major industry players Assurant; Canada Life Assurance; Canadian Premier Life Insurance Company; Canadian Tire Bank; CUMIS Services Incorporated; Manulife (The Manufacturers Life Insurance Company); Sun Life; and Valeyo.