

# Stakeholder Advisory Committees –

Meetings with FSRA Management to  
discuss the proposed 2022-23  
Priorities and Financial Plan

# FSRA

Financial Services Regulatory  
Authority of Ontario

Life and Health Insurance  
Monday, October 4, 2021



Ontario



# Agenda

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1. Introductions
  2. Process Overview
  3. Statement of Priorities and Financial Plan
    - Update on Supervision and Licensing Resourcing/Capabilities
  4. Discussion of Proposed 2022-23 Priorities
  5. Discussion of Proposed 2022-23 Financial Plan
  6. Next steps for confirming Priorities and Financial Plan
  7. CCIR Engagement
- Appendix

## Process Overview

### FSRA 2022-2023 Priorities and Financial Plan



- ☐ **September 29** – Board approval of SOP and financial plan for consultation
- ☐ **October 4** – Public Comment Period Opens
- ☐ **October 29** – Public Comment Period Closes

### Stakeholder Advisory Committees and Consumer Advisory Panel

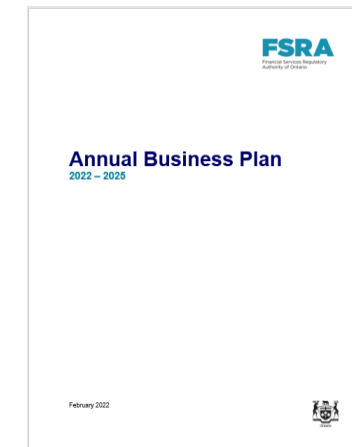


- Property and Casualty (P&C), Auto Insurance
- Financial Advisors/Planners
- Pensions
- Life and Health Insurance
- Health Service Providers
- Mortgage Brokering
- Credit Unions



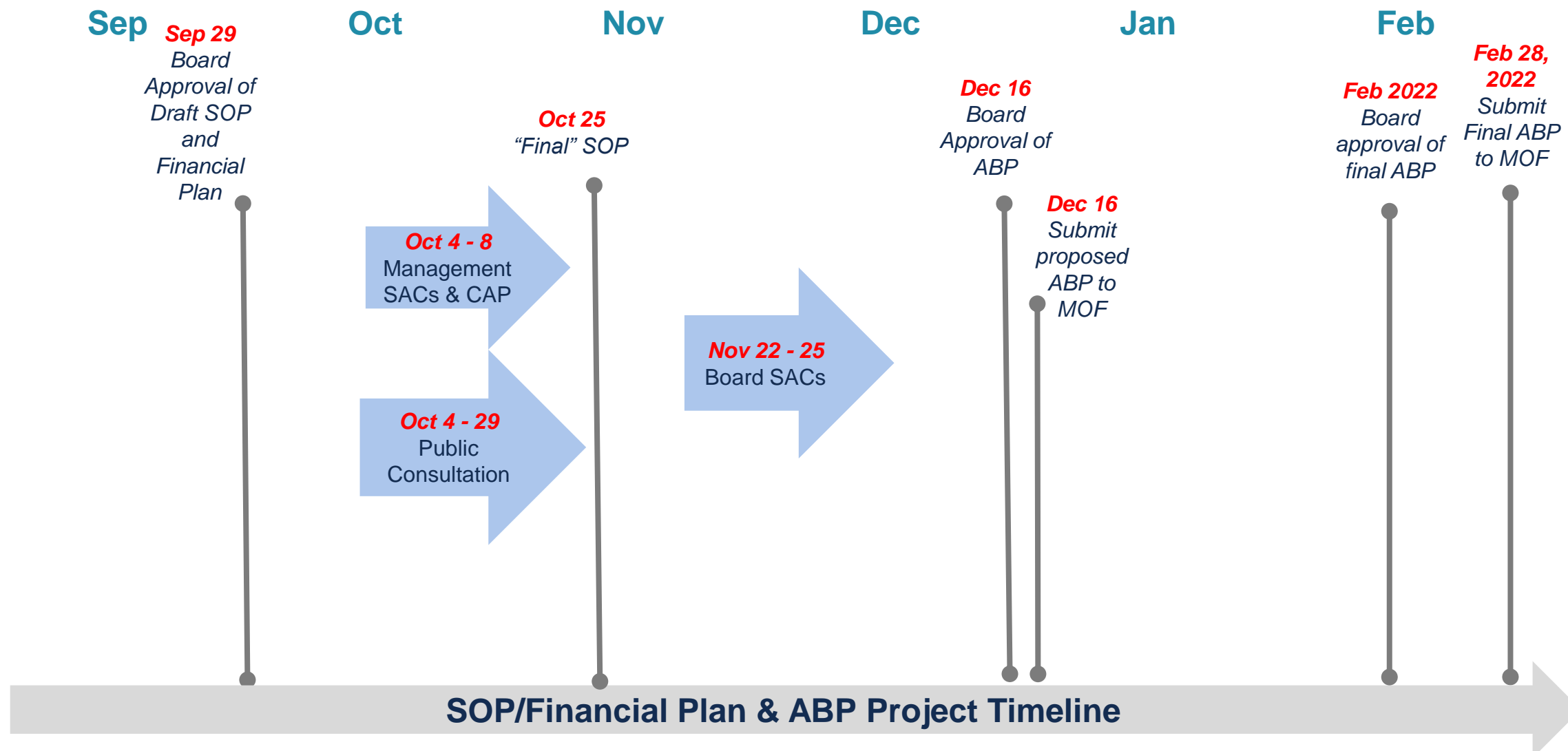
- ☐ **The week of October 4** – FSRA Management Meeting with SAC & CAP
- ☐ **Week of November 22** – FSRA Board Meetings with SAC
- ☐ **Week of November 29** – Updated SOP and financial plan input to ABP

### FSRA 2022-2025 Annual Business Plan (ABP)



- ☐ **December 16** – Approval by FSRA Board of ABP
- ☐ **December 16** – Submission of proposed ABP to Ministry of Finance
- ☐ **February 28** – Deadline to submit ABP to Minister of Finance

## F2022-2023 SOP & ABP Process and Timeline





## 2022-23 Statement of Priorities (SOP) and Financial Plan

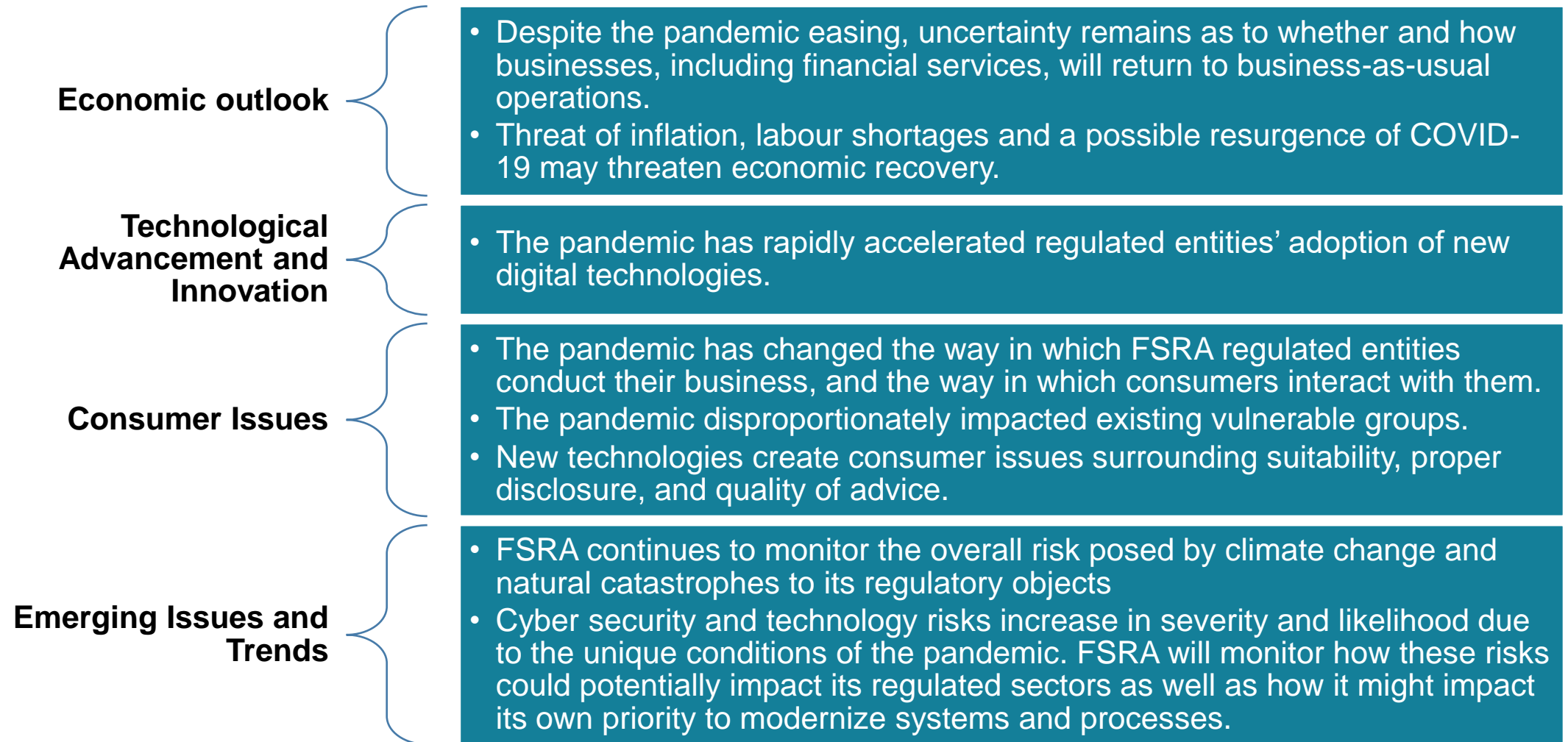
High-level strategic plan describing cross-sectoral and sector-specific future key priorities and deliverables for 2022-23, including financial estimates for 2022-23

### Content

1. Overview and Environmental Scan
2. Overview of Cross Sectoral Priorities
3. Overview of Priorities for Specific Sectors
  - Brief Priorities Overview
  - Key Deliverables Implementation/action plan
  - Planned Outcome
4. Proposed 2022-23 Financial Plan



## Summary – Environmental Scan



*Details can be found in the proposed Statement of Priorities*

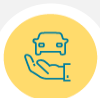
# CURRENT FSRA 2021-22+ Priorities

## Cross-Sectoral Priorities

### Regulatory Efficiency and Effectiveness

1. Protect the public interest
2. Enable innovation
3. Modernize systems and processes
4. Transition to Principle Based Regulation

### Sector-Specific: Targeted High-Impact Priorities



#### Property & Casualty (Auto) Insurance

- 5.1** Empower and protect P&C insurance consumers
- 5.2** Support government's priorities and evaluate trends in the auto insurance system
- 5.3** Implement auto insurance data and analytics strategy



#### Credit Unions

- 6.1** Support modernization of credit union framework
- 6.2** Enhance Deposit Insurance Reserve Fund Adequacy Framework and Sector Liquidity Framework
- 6.3** Continue to design and develop the Integrated Risk-Based Supervisory Framework



#### Life & Health Insurance

- 7.1** Enhance market conduct oversight to protect consumers



#### Mortgage Brokering

- 8.1** Implement recommendations from the review of the MBLAA, to the extent within FSRA's purview



#### Pensions

- 9.1** Support plan flexibility, evolution and principles-based applications within the existing regulatory and legislative regime
- 9.2** Develop and consult on prudential supervision framework
- 9.3** Refocus pension regulation to improve regulatory efficiency and effectiveness



#### Financial Planners & Advisors

- 10.1** Implement the title protection framework for FP/FA



## Evolution of Our Priorities

- 22/23 priorities are aligned to recently revised strategic framework
  - Focus on a common set of regulatory outcomes
- Priorities continue to focus on regulatory efficiency (burden reduction) and effectiveness
- The following sectors have updated their priorities to reflect a stronger focus on consumer protections: Property & Casualty (Auto) Insurance, Life & Health Insurance, Mortgage Brokering, Financial Planners & Advisors



# PROPOSED FSRA 2022-23+ Priorities

## Cross-Sectoral Priorities

### Regulatory Efficiency and Effectiveness

1. Strengthen the consumer focus

2. Enable innovation

3. Modernize systems and processes

## Sector-Specific: Targeted High-Impact Priorities



### Property & Casualty (Auto) Insurance

**4.1** Implement a new strategy for reforming the regulation of auto insurance rates and underwriting

**4.2** Develop recommendations and act on reforms of the auto insurance system

**4.3** Ensure the Fair Treatment of P&C/Auto Consumers

**4.4** Implement Insurance Prudential Supervision



### Credit Unions

**5.1** Implement new credit union legislative framework

**5.2** Enhance financial stability structures

**5.3** Implement Risk Based Supervision



### Life & Health Insurance

**6.1** Enhance market conduct oversight to protect consumers



### Mortgage Brokering

**7.1** Implement recommendations from the review of the *Mortgage Brokerages, Lenders and Administrators Act, 2006* (MBLAA)

**7.2** Promote high standards of governance and business conduct



### Pensions

**8.1** Enabling Plan Beneficiaries

**8.2** Promoting Confidence in Ontario's Pension Sector



### Financial Planners & Advisors

**9.1** Operationalize the title protection framework for Financial Planners /Financial Advisors

### Legend

Modified / New Title

New Priority





# **F2022-2023 Cross-sectoral Priorities**



## Priorities

### 2021 – 2022 Priorities

1. Protect the public interest
2. Enable innovation
3. Modernize systems and processes
4. Transition to Principle Based Regulation

### Proposed 2022-2023 Priorities

1. Strengthen the consumer focus
2. Enable innovation
3. Modernize systems and processes

#### Legend

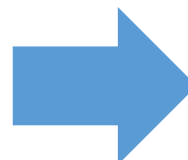
Modified / New Title

New Priority

# 1. Strengthen the consumer focus

## Key Deliverables

- Identify opportunities for FSRA to respond to the needs of and risks to consumers in positions of vulnerability, to strengthen FSRA's focus on the protection of vulnerable consumers.
- Strengthen FSRA's baseline understanding of the current complaints resolution system, including consumer experiences.
- Strengthen the Consumer Office's consumer research agenda and share insights from consumer research with consumers, industry, and other key stakeholders.
- Enable the FSRA Consumer Advisory Panel and other consumer stakeholders to participate in more FSRA rule development, guidance, and other policy work (e.g., more consumer stakeholder engagement with FSRA public consultations, more consumer panels, etc.) further strengthening FSRA's collaboration with consumer stakeholders in policymaking.



## Outcomes

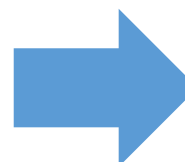
- ✓ Protection of consumer rights and interests through a focus on vulnerable consumers.
- ✓ Better informed consumers through stronger consumer disclosure practices.
- ✓ Enhanced public knowledge and navigability of the complaints resolution system.
- ✓ Enhanced public confidence in the regulated sectors through a strong consumer research agenda and more opportunities for consumer stakeholders to participate in policymaking.

## 2. Enable innovation

### Key Deliverables

Implement the Innovation Framework and innovation tools we have developed by:

- Scaling our Test and Learn Environments to gather data and refine our approach to ensure that they support responsible innovation in Ontario's financial services ecosystem  
Implementing the 5-stage innovation process
- Implement an engagement strategy that proactively engages sector participants and consumers to identify innovation opportunities and emerging trends, including the creation of a dedicated advisory body to FSRA.
- Build our understanding and acting as a center of expertise and information on innovation, championing a culture of innovation among FSRA's regulated sectors



### Outcomes

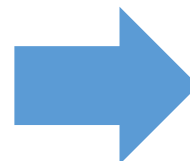
More innovative and competitive financial services through:

- ✓ Expanded and enriched access to markets for new market entrants and existing businesses across our sectors, encouraging innovators to bring their responsible innovations to the Ontario financial services market
- ✓ Deepened and expanded relationships with our key stakeholders, continuing our efforts to develop open, genuine, transparent lines of communication between FSRA and sector participants to ensure that FSRA's pursuit of responsible innovation is guided by on-the-ground data and perspective
- ✓ Greater expertise and understanding of the changing financial services landscape both in Ontario and around the world, allowing the Innovation Office to confidently make recommendations regarding novel solutions proposed by innovators and alternative policy approaches to regulating Ontario's financial services ecosystem
- ✓ Greater awareness of innovation opportunities and development of innovation culture at FSRA through standardization of the innovation tools

### 3. Modernize systems and processes

#### Key Deliverables

- Implement technology solutions to enable simplified and fully digitized operations, including a 360-degree view of regulated entities (customer information system), case management, content management and data analytics tools, with enhanced client portals.
- Implement advanced online/web-based information sharing and transactional processing tools on FSRA portals.
- Develop digital document processing and digital signature capabilities to support streamlined processing of all paper-based channels.
- Enable data analytics for each of the regulated sectors to empower FSRA policy and supervisory activities. Across the sectors, we will enhance infrastructure and establish new data interfaces (both new data sources and improved data exchanges) and implement advanced analytics and reporting systems to enable more efficient decision-making across all sectors.



#### Outcomes

- ✓ Improved regulatory oversight through greater access to data and analytics tools across all sectors.
- ✓ Improved relationships with stakeholders through enhanced relationship and case, management capabilities, and improved tracking and operational processing capabilities.
- ✓ Improved and, where possible, customized user experience with the FSRA online portal.
- ✓ Improved turnaround time for licensing, filing and registration processes.
- ✓ Improved access to information for consumers.



# Life & Health Insurance Strategies, Priorities and Financial Plan



## Environmental Scan – Life & Health Insurance Sector

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- |                         |  |
|-------------------------|--|
| <b>Economic Outlook</b> | <ul style="list-style-type: none"><li>○ The life and health insurance industry will continue to face pressure for the foreseeable future because of a challenging business environment. Insurers continue to benefit from large growth in group annuity sales.</li></ul> |
|-------------------------|--|
- 
- |                        |   |
|------------------------|---|
| <b>Consumer Issues</b> | <ul style="list-style-type: none"><li>○ Affordability continues to be a concern for insurance consumers. As consumers become more price conscious, there is an increased risk that they will opt for policies based solely on price as opposed to those that provide optimal coverage for their unique circumstances. FSRA will continue to monitor the overall value-for-money insurance consumers receive from their products and whether the products consumers are being sold are suitable.</li></ul> |
|------------------------|---|
- 
- |                                   |   |
|-----------------------------------|---|
| <b>Emerging Issues and Trends</b> | <ul style="list-style-type: none"><li>○ The pandemic has led to an increase in cybersecurity and technology risks due to the increased use of digital and new technologies, the transition to remote work environments, outsourcing to third parties, and the overall state of the economy resulting in higher instances of fraud (e.g., ransomware).</li></ul> |
|-----------------------------------|---|
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## Priorities

### 2021-2022 Priorities

**7.1** Enhance market conduct oversight to protect consumers

### Proposed 2022-2023 Priorities

**6.1** Enhance market conduct oversight to protect consumers

#### Legend

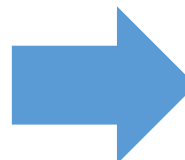
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New Priority

## 6.1 Enhance market conduct oversight to protect consumers

### Key Deliverables

- Publish for consultation a proposed framework and supervisory approach for Managing General Agents.
- Working with insurance and securities regulators across Canada, develop harmonized total cost reporting disclosure requirements for segregated fund contracts.
- Finalize guidance on segregated fund recommendations, working with insurance regulators across Canada.
- Publish for consultation guidance on Fair Treatment of Customers incentives, working with insurance regulators across Canada.
- In consultation with industry, build supervision capacity in insurance distribution under FSRA's supervisory framework for Life & Health Insurance, including Agent supervision.



### Outcomes

- ✓ High standards of business conduct are achieved by providing a clear understanding of FSRA's expectations of the relationship between insurers and Managing General Agents, to ensure that obligations under the *Insurance Act*, its regulations, and agent licence requirements are being met.
- ✓ Consumers are better informed, as industry has a clear understanding of regulatory expectations regarding the information consumers will receive about the total cost of their segregated fund contracts.
- ✓ Customers are treated fairly, as industry has a clear understanding of:
  - Regulatory expectations with respect to the sale and administration of segregated fund contracts, to help ensure customers are treated fairly.
  - Regulatory expectations for insurers and intermediaries for the appropriate assessment and management of customer risks that could result from incentives paid for product sales and servicing.
  - FSRA's expectations for agent and distribution channel oversight.
- ✓ Clear and consistent communication of FSRA's approach to principles-based regulation and supervision.



## Discussion Questions

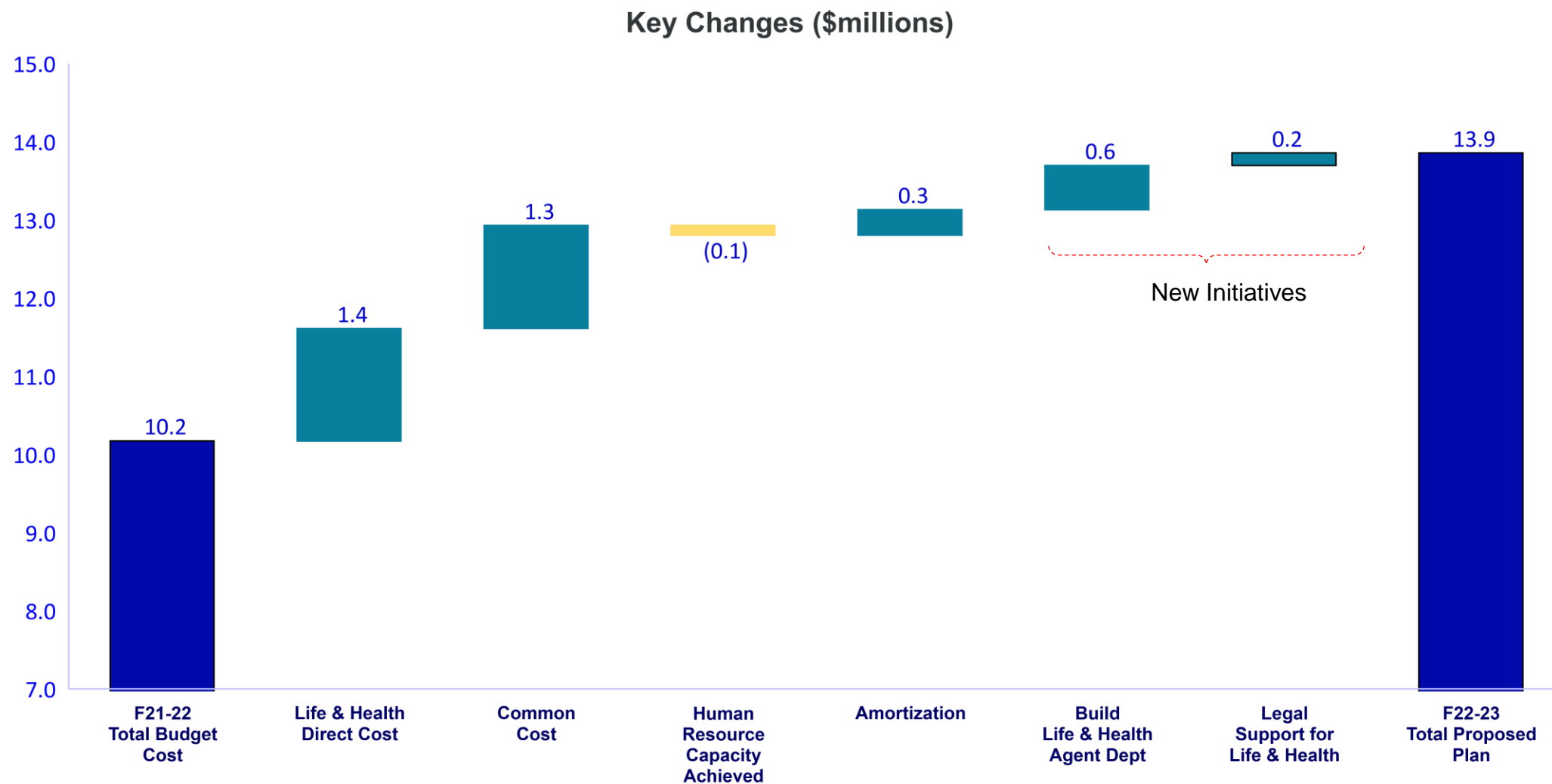
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- Are the priorities selected the correct ones?
- Are there any other priorities on which we should be focused?

## Sector View Summary: Proposed F2022-2023 Plan of \$109.3M

Sector (\$000's)	Insurance								Pensions (Fixed and Variable)	Credit Unions (Variable)	Mortgage Brokers (Fixed)	Loans & Trusts (Variable)	Financial Advisor & Financial Planner	Total
Subsector	Auto Products	Health Service Providers (Fixed)	P&C Conduct	P&C Prudential Regulation	Total Auto/HSP/ P&C	Life & Health Conduct (Variable)	Life & Health Conduct (Fixed)	Total Life & Health						
<b>F2022-2023 Revenue</b>														
Activity Fees		3,800	1,300		5,100		6,400	6,400					300	11,800
Fee Assessment	17,000		8,900	2,000	27,900	7,100		7,100	26,000	17,200		100	700	79,000
Licensing Fees					-			-			16,000			16,000
<b>F2022-23 Proposed Rev</b>	<b>17,000</b>	<b>3,800</b>	<b>10,200</b>	<b>2,000</b>	<b>33,000</b>	<b>7,100</b>	<b>6,400</b>	<b>13,500</b>	<b>26,000</b>	<b>17,200</b>	<b>16,000</b>	<b>100</b>	<b>1,000</b>	<b>106,800</b>
<b>Direct Cost</b>	<b>9,900</b>	<b>2,100</b>	<b>6,000</b>	<b>1,200</b>	<b>19,200</b>	<b>4,200</b>	<b>3,600</b>	<b>7,800</b>	<b>15,400</b>	<b>10,700</b>	<b>8,100</b>	<b>100</b>	<b>600</b>	<b>61,900</b>
<b>Common Cost</b>	<b>7,900</b>	<b>1,700</b>	<b>4,700</b>	<b>900</b>	<b>15,200</b>	<b>3,300</b>	<b>2,800</b>	<b>6,100</b>	<b>12,000</b>	<b>7,400</b>	<b>6,300</b>	<b>-</b>	<b>400</b>	<b>47,400</b>
<b>F2022-2023 Cost</b>	<b>17,800</b>	<b>3,800</b>	<b>10,700</b>	<b>2,100</b>	<b>34,400</b>	<b>7,500</b>	<b>6,400</b>	<b>13,900</b>	<b>27,400</b>	<b>18,100</b>	<b>14,400</b>	<b>100</b>	<b>1,000</b>	<b>109,300</b>
Expected Fixed Fee Over Contribution to Common Costs	(300)	-	(200)	-	(600)	(100)	-	(100)	(500)	(400)	1,600	-	-	-
Recovery Over/(Under)	(500)	-	(300)	(100)	(900)	(200)	-	(200)	(800)	(600)	-	-	-	(2,500)
<b>Funding from Cumulative Surplus</b>	<b>500</b>	<b>-</b>	<b>300</b>	<b>100</b>	<b>900</b>	<b>200</b>	<b>-</b>	<b>200</b>	<b>800</b>	<b>600</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,500</b>
<b>F2021-22 Budget Revenue</b>	<b>19,360</b>	<b>3,327</b>	<b>10,234</b>	<b>524</b>	<b>33,444</b>	<b>4,395</b>	<b>5,627</b>	<b>10,023</b>	<b>26,105</b>	<b>15,551</b>	<b>12,332</b>	<b>106</b>	<b>2,500</b>	<b>100,061</b>
<b>Revenue Variance Increase/(Decrease)</b>	<b>(2,360)</b>	<b>473</b>	<b>(34)</b>	<b>1,476</b>	<b>(444)</b>	<b>2,705</b>	<b>773</b>	<b>3,477</b>	<b>(105)</b>	<b>1,649</b>	<b>3,668</b>	<b>(6)</b>	<b>(1,500)</b>	<b>6,739</b>
	<b>-12.2%</b>	<b>14.2%</b>	<b>-0.3%</b>	<b>281.3%</b>	<b>-1.3%</b>	<b>61.5%</b>	<b>13.7%</b>	<b>34.7%</b>	<b>-0.4%</b>	<b>10.6%</b>	<b>29.7%</b>	<b>-5.5%</b>	<b>-60.0%</b>	<b>6.7%</b>
<b>F2021-2022 Cost</b>	<b>19,974</b>	<b>3,327</b>	<b>10,586</b>	<b>542</b>	<b>34,428</b>	<b>4,546</b>	<b>5,627</b>	<b>10,174</b>	<b>27,003</b>	<b>16,132</b>	<b>13,597</b>	<b>109</b>	<b>2,500</b>	<b>103,943</b>
<b>Cost Variance Increase/(Decrease)</b>	<b>(2,174)</b>	<b>473</b>	<b>114</b>	<b>1,558</b>	<b>(28)</b>	<b>2,954</b>	<b>773</b>	<b>3,726</b>	<b>397</b>	<b>1,968</b>	<b>803</b>	<b>(9)</b>	<b>(1,500)</b>	<b>5,357</b>
	<b>-10.9%</b>	<b>14.2%</b>	<b>1.1%</b>	<b>287.1%</b>	<b>-0.1%</b>	<b>65.0%</b>	<b>13.7%</b>	<b>36.6%</b>	<b>1.5%</b>	<b>12.2%</b>	<b>5.9%</b>	<b>-8.6%</b>	<b>-60.0%</b>	<b>5.2%</b>

## F2022-2023 Plan: Life and Health



# FSRA*Forward* Update for Life & Health Insurance Sector

## *Program Status*

- Completed future-state process designs for all key processes.
- Defined requirements for a solution to enable future-state processes for Licensing & Registration, Filings & Approvals and Monitoring & Compliance.
- Completed technology components to support development of requirements and evaluation of proposed CRS solutions.
- Provided wider access to data internally and brought new analytical tools online enabling better use of real time data while freeing up resources.
- Completed procurement strategy and approach, and issued Request for Proposals (RFP) for Core Regulatory Solution on August 31, 2021

## *Sector Engagement*

- Planning outreach for insurers and associations, to include written updates and opportunities for further involvement.

## *Benefits for Insurance*

- Optimize and streamline data and filing collection.
- Improve licensing portal capabilities.
- Streamline approval processes.
- Establish a consumer hub to provide education, guidelines and data driven insights to consumers.
- Improve service levels and transparency on status of requests for approvals and responses to inquiries.
- Enhance FSRA's ability to respond quickly to changing business needs and regulatory changes, and to support expanded business opportunities / innovation.
- Update regulatory systems to support transition to principles-based regulation and risk-based supervisory framework.



## Discussion Questions

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- Is it clear how changes to our priorities are reflected in the financials?
- What other information would be helpful for your consultation submission?
- Are there other areas of investment on which FSRA should focus?



## Next Steps

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SAC Members to submit any feedback by Friday October 29, 2021

Public Consultation Complete – Friday October 29, 2021

Meeting with FSRA Board – Week of November 22, 2021

Board Approval of the 2022-25 Annual Business Plan – December 16, 2021

Summary of Comments and Responses from the public consultation will be available publicly.





# Appendix – Strategic Framework



## Strategic Framework

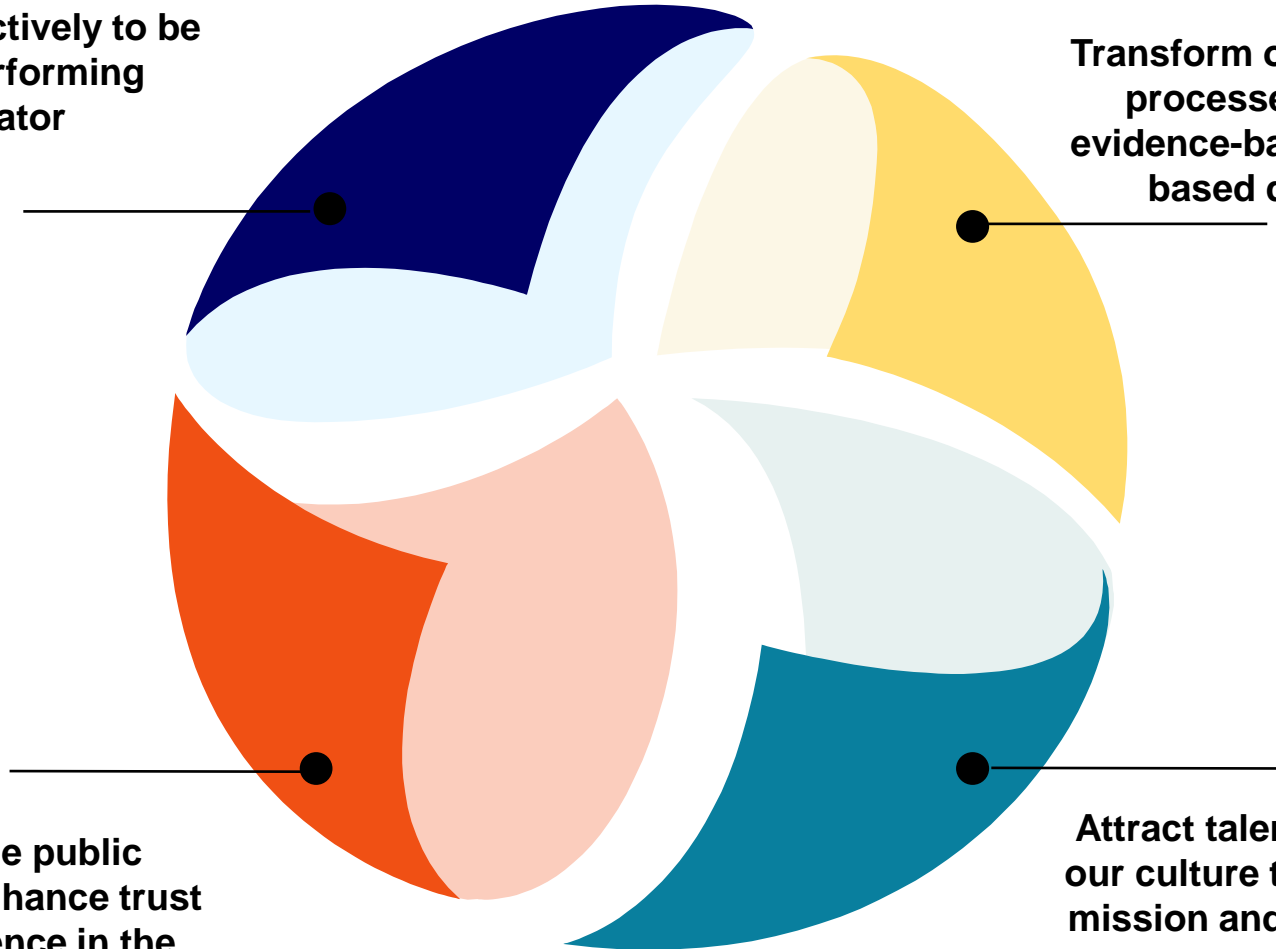
FSRA's revised Strategic Framework acts as the foundation for our strategic planning through 2025. The Framework reflects FSRA's legislative objects, as well as its Vision and Mission. It consists of four main pillars (see Appendix for details), which articulate on what FSRA will focus its efforts over the next three years.

**Operate effectively to be  
a high-performing  
regulator**

**Transform our regulatory  
processes to make  
evidence-based and risk-  
based decisions**

**Protect the public  
interest to enhance trust  
and confidence in the  
sectors we regulate**

**Attract talent and evolve  
our culture to achieve the  
mission and vision of the  
organization**





## Planned Outcomes





In this year's SOP, FSRA piloted the use of a single set of outcomes (developed from our legislated objects). These outcomes were used, where possible, in drafting the planned outcomes, for each priority. The purpose of this approach was to establish consistency in the outcomes we are seeking to achieve across the priorities, as well as ensure the outcomes we are seeking to achieve support our legislated mandate.

Outcomes – Developed from FSRA Legislated Objects			
General	Financial Sectors	Pensions	Credit Unions
Effective regulation and supervision	High standards of business conduct	Good administration of pension plans	Stable and competitive credit unions
Effective monitoring and evaluation of trends	Protection of consumer rights and interests	Protected pension benefits and rights of pension plan beneficiaries	Minimization of exposure of loss of deposits
Cooperation and collaboration with other regulators	Strong, sustainable, competitive and innovate financial services sector		Stable credit union sector
Public confidence in regulated sectors			
Educated and knowledgeable public			
Transparent regulated sectors			
Deterrence of fraudulent conduct, practices and activities			

# PROPOSED FSRA 2022-23+ Priorities – Mapped to Strategic Framework\*

## Cross-Sectoral Priorities

### Regulatory Efficiency and Effectiveness

-  1. Strengthen the consumer focus
   2. Enable innovation
   3. Modernize systems and processes

## Sector-Specific: Targeted High-Impact Priorities

