

# Life & Health Stakeholder Advisory Committee Meeting

***Proposed FY2025-26 Life & Health Priorities  
and Financial Plan***

**Date:** November 6, 2024

# FSRA

Financial Services Regulatory  
Authority of Ontario



Ontario

# Agenda

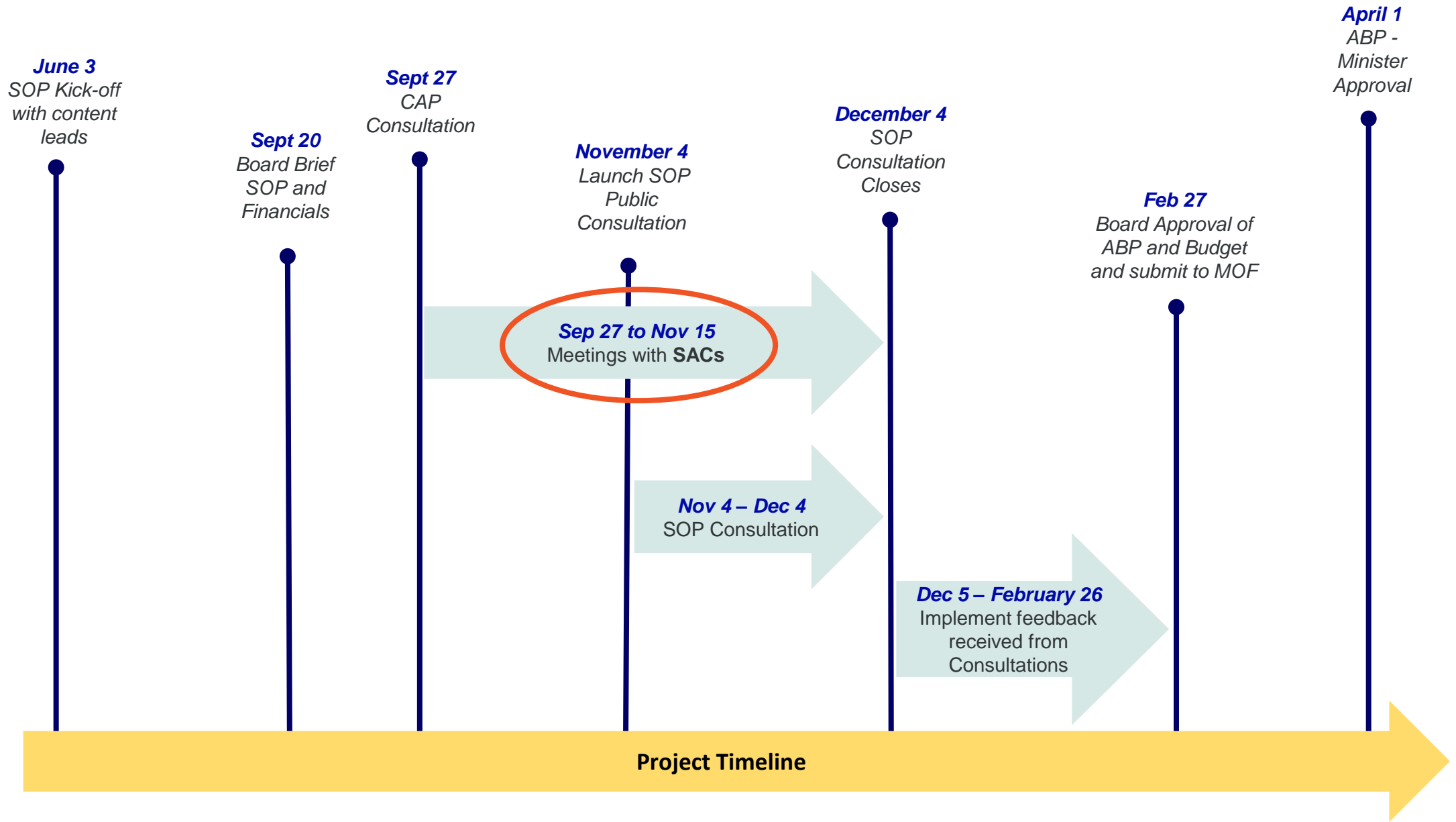
1. Process Overview
2. FSRA 2025-26+ Priorities
3. FY2025-26 Life & Health Priorities
  - Environmental Scan
  - L&H Priorities from 2025-26 SOP
  - L&H Insurance Supervision Updates
4. Financial Plan
5. Appendix
  - A: Strategic Framework
  - B: FY2024-25 FSRA Priorities
  - C: FY2025-26 Cross-Sectoral Priorities



Financial Services Regulatory  
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# Process Overview



# FY 2025-26+ Strategic Priorities



## Cross-Sectoral

1. Strengthen stakeholder relations and improve consumer-focused outcomes

2. Enhance licensing efficiency and effectiveness

3. Modernize systems and processes



## 4. Property & Casualty and Auto Insurance

4.1 Implement key reforms for the regulation of auto insurance rates and underwriting

4.2 Support reforms of the auto insurance system

4.3 Support the fair treatment of property and casualty insurance consumers



## 5. Ontario-incorporated Insurance Companies and Reciprocals (Insurers)

5.1 Increase resilience, stability and public confidence

5.2 Enhance FSRA's Regulatory Framework



## 6. Credit Unions

6.1 Increase resilience, stability, and promote confidence

6.2 Enhance FSRA's Regulatory Framework

6.3 Enhance financial stability structures



## 7. Life & Health Insurance

7.1 Strengthen the market conduct regulation and supervision of intermediaries, including Managing General Agents ("MGAs")

7.2 Strengthen protection of consumers who invest in segregated fund contracts



## 8. Mortgage Brokering

8.1 Modernize sector requirements to protect mortgage brokering consumers



## 9. Pensions

9.1 Enhance prudential supervision of the pension sector

9.2 Advance regulatory excellence and improve plan member outcomes



## 10. Financial Planners & Advisors

10.1 Ensure the effectiveness of the title protection framework for Financial Planners / Financial Advisors

# FY2025-26 Life & Health Priorities

### Identified Trends

- Insurance Intermediaries – Third parties supporting the distribution and administration of policies have grown in number and size, often due to consolidations.
  - Ministry of Finance consultation on proposed licensing framework for L&H MGAs
- Consumer / investor education and exposure is an ongoing issue
  - Segregated Funds Total Cost Reporting reforms in progress, targeted for 2027 implementation
- Consumer sentiment – FSRA consumer research indicates consumer vulnerability is increasing due to financial literacy and significant life events. But consumer confidence and satisfaction in the sector is improving, and the gap between vulnerable consumers, compared to other consumers, on these matters appears to be shrinking
  - Report targeted for publication in early 2025

### 2. Enhance licensing efficiency and effectiveness

#### Outcomes We Are Seeking

- Elevated professionalism within the regulated sectors.
- Greater trust by consumers when dealing with a licensed individual or entity.
- Risks posed to consumers when dealing with a licensed individual or entity are further mitigated.
- Improved service delivery for all licensing transactions while maintaining protection for consumers.

#### Key Activities to Achieve Outcomes

- a) Explore additional tools to support FSRA's assessment of licensing suitability.
- b) Enhance licensing suitability reviews by incorporating new risk-based searches to assess suitability for a licence.
- c) Implement recommendations from the internal licensing process review.

- Providing strong licensing services to stakeholders is a FSRA priority
- FSRA is committed to improving licensing service levels
- FSRA has developed an action plan to address service issues





Improve Application Processing Times



Reduce Overall Volume of Pending Applications

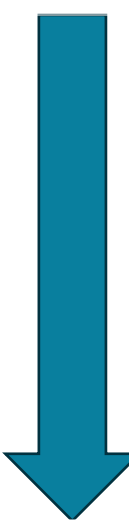


Increase Transparency in Communication with Applicants & Licensees



Inform stakeholders of our progress

Licence applications & renewals are evaluated for Completeness, Eligibility and Suitability

<p>Complexity and Level of Judgement Required</p>  <p>Low</p> <p>High</p>	Evaluation Elements	Description / Examples
	<b>Completeness</b>	Has the applicant provided all required documents and answered all questions?
	<b>Eligibility</b>	<b><i>Binary minimum licensing requirements</i></b> such as: <ul style="list-style-type: none"><li>- Does the applicant satisfy the education requirement?</li><li>- Does the applicant hold the appropriate E&amp;O?</li></ul>
	<b>Suitability</b>	<b><i>Judgement-based concerns</i></b> regarding applicant behaviours, such as: <ul style="list-style-type: none"><li>- History of bankruptcy, fraud, or other legal concerns</li><li>- Failure to fully disclose circumstances in answers to suitability questions</li><li>- Potential conflict of interest related to other business activities</li></ul>

**Taking a Principles-Based approach: Focus on suitability concerns and minimize the effort to confirm Completeness and Eligibility.**

	Monthly Average of new & renewal applications	Service Standard
Insurance Agent	800-1000 new applications; 2,900 renewals	75% issued within 20 business days
Corp. Insurance Agent	40 new applications; 300 renewal applications	75% issued within 20 business days

### 7.1 Strengthen the market conduct regulation and supervision of intermediaries, including Managing General Agents (“MGAs”)

#### Outcomes We Are Seeking

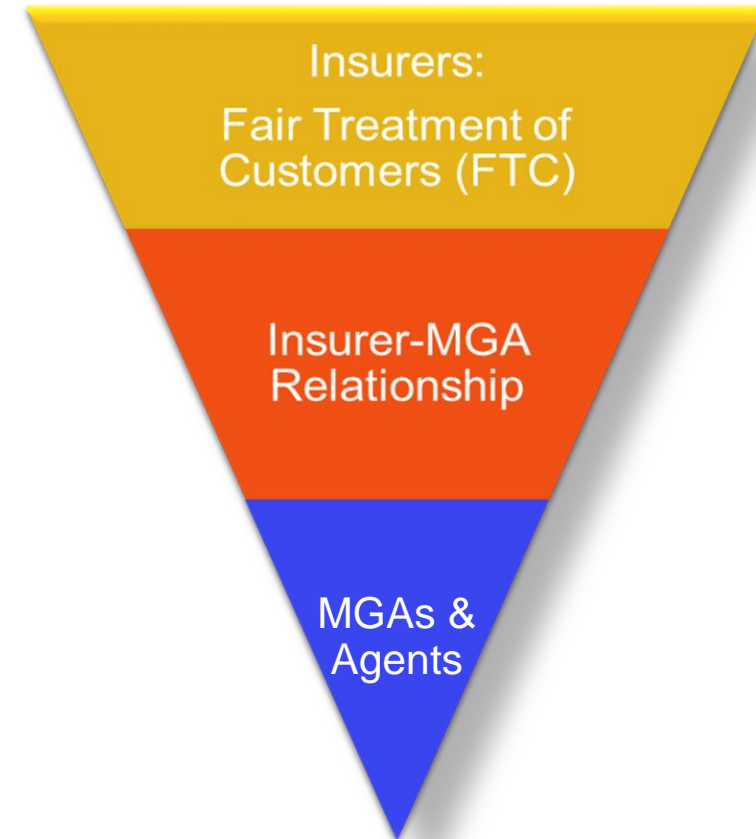
- Consumers receive the same protections whether they acquire insurance from agents who work directly for an insurer, or from agents who are contracted by an MGA.
- Consumers are protected through efficient and effective supervision of the L&H insurance sector.

#### Key Activities to Achieve Outcomes

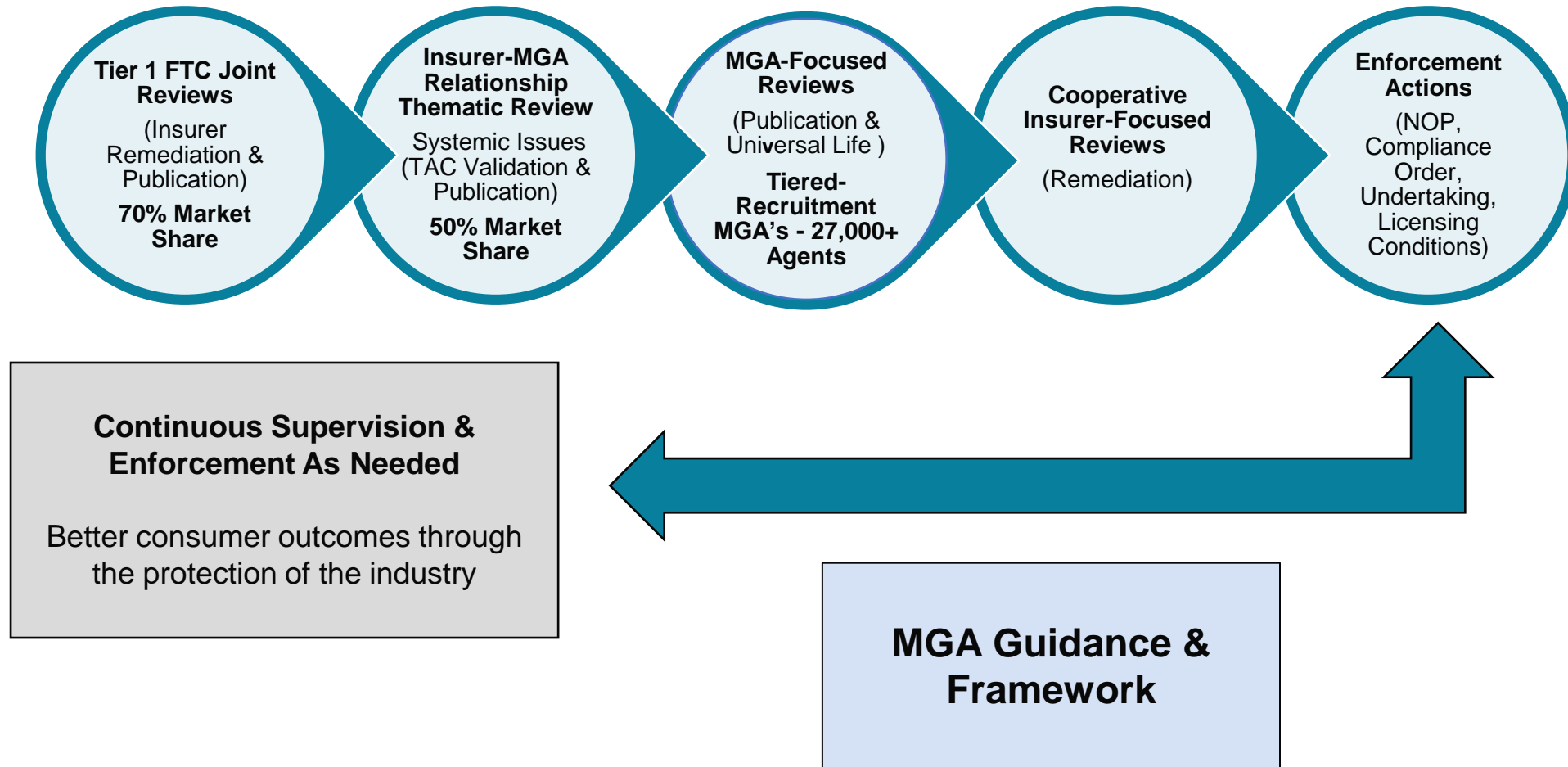
- a) Publish for consultation a rule framework corresponding to the regulatory framework, dependent on legislation being approved, which aims to address regulatory gaps for Life and Health Insurance MGAs.

## A Methodical, Evidence & Risk-Based Approach to Market Conduct Supervision

1. **Insurers:** National Cooperative Fair Treatment of Customers (FTC) Review
2. **Insurer - Intermediary:** Thematic review of insurers in relation to the largest L&H insurance distribution channel – MGAs
3. **Intermediaries:** Direct review of MGAs and insurance agents



# Supervision in Action – Insurers and MGAs



# Key Strategic Supervision Pillars for FY 2024-25 – Insurers and MGAs

## C Corrective Actions & Proactive Supervision

### Supervisory Remediations & Enforcement Actions

- Insurer Projects: 4 L&H Insurers
- MGA Projects: 2 L&H MGAs

### CCIR Cooperative Reviews (FSRA and AMF)

- Distribution Channel Review: 4 L&H Insurers
- Complaint Handling Review: 1 L&H Insurer

#### Expected Outcome:

- Strengthening the insurance intermediary chain
- Enhanced compliance with the regulatory requirements

## C Conduct Indicators

- Annual Statement of Market Conduct (ASMC) National Reporting for 2024
- Build out of the L&H Insurer Risk Profiling Model

#### Expected Outcome:

- Insurer risk modeling and industry trend analysis at the national level

## I Intelligence

- Life Insurer Intelligence Questionnaire on MGA Distribution and Business Practices (Launch Date TBD)
  - Will feed into Risk Assessment of L&H Insurers and MGAs
- MGA Supervision Program Design

#### Expected Outcome:

- Gain a detailed understanding to identify and tailor supervisory strategies for high-risk entities and issues

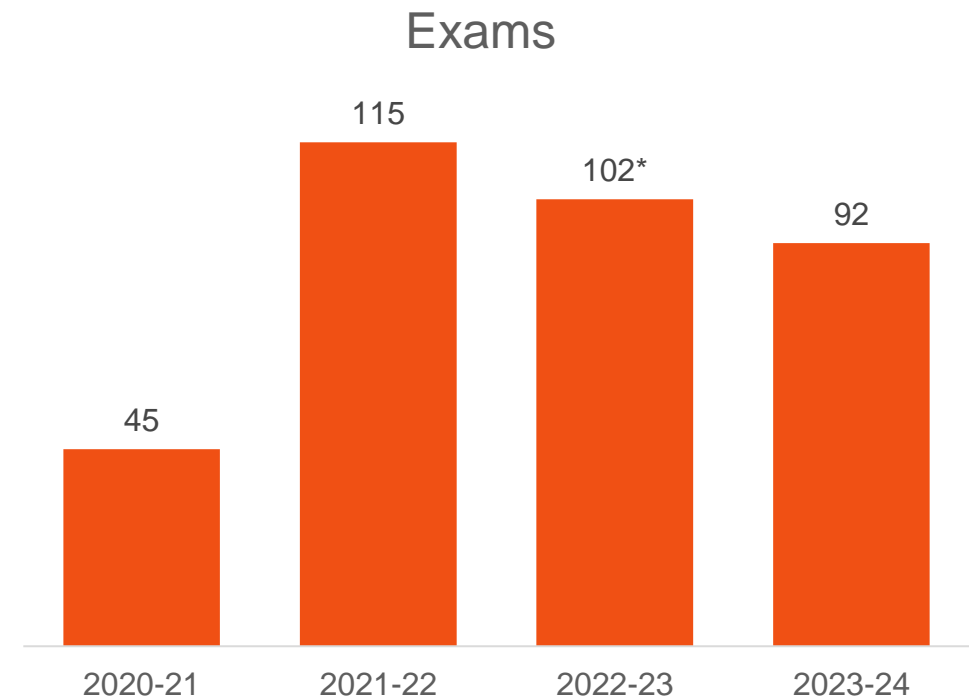
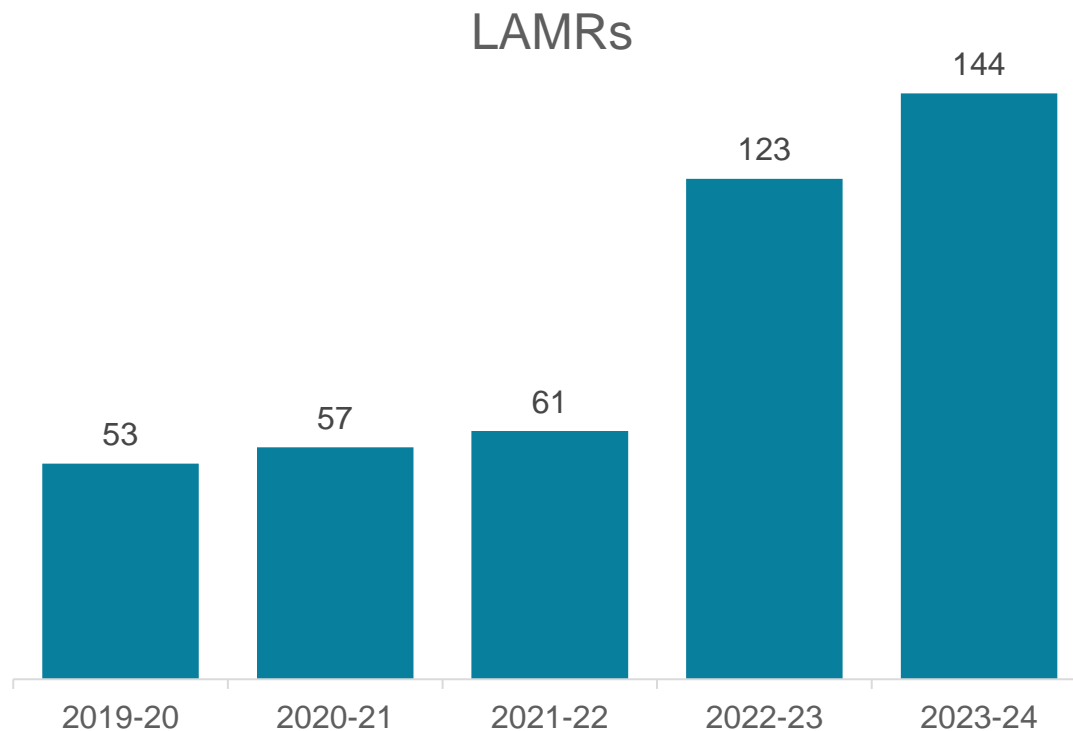
## I IAIS

- Application Paper to apply IAIS's Insurance Core Principles to achieve fair treatment for vulnerable consumers
- Work with CSOC for implementation in Canada post-launch
- Guidance on the use of conduct indicators in insurance supervision for IAIS members

#### Expected Outcome:

- Better outcomes for vulnerable consumers through the recommended application of the concepts highlighted in the DEI Application Paper

- **Snapshot of year-over-year volumes of LAMRs and examinations. Dispositions from reviews and enforcement actions taken are relatively consistent / stable over last two years**
  - LAMR program was focus in 2023-24, with FSRA managing a fake policyholder trend as of 2024
  - Supervision results from 2022-23 and 2023-24 are targeted for publication in December





- **Priorities for 2025-26**

- Working with industry to improve the quality of LAMR submissions received and sharing trends from supervision.
- Continue supervising agent compliance with regulatory requirements and FTC expectations (e.g., needs-based sales practices).
- Developing & sharing a risk-based proactive supervision plan and issue Business Practice Compliance Questionnaire (launch date TBD).

### 7.2 Strengthen protection of consumers who invest in segregated fund contracts

#### Outcomes We Are Seeking

- Customers with segregated fund contracts have the information they need to make suitable choices about their investments.
- Consumers receive advice that is suitable based on their needs and circumstances from agents who are appropriately grained and monitored.
- Harmonize, to the extent possible, with other Canadian jurisdictions to ensure insurers and agents put customers' interests first and manage conflicts of interest appropriately when they design, sell and administer segregated fund contracts.

#### Key Activities to Achieve Outcomes

- a) Finalize the Total Cost Reporting Rule for individual segregated fund contracts.

# Financial Plan

# Proposed FY2025-2026 Business Plan (Sector View)

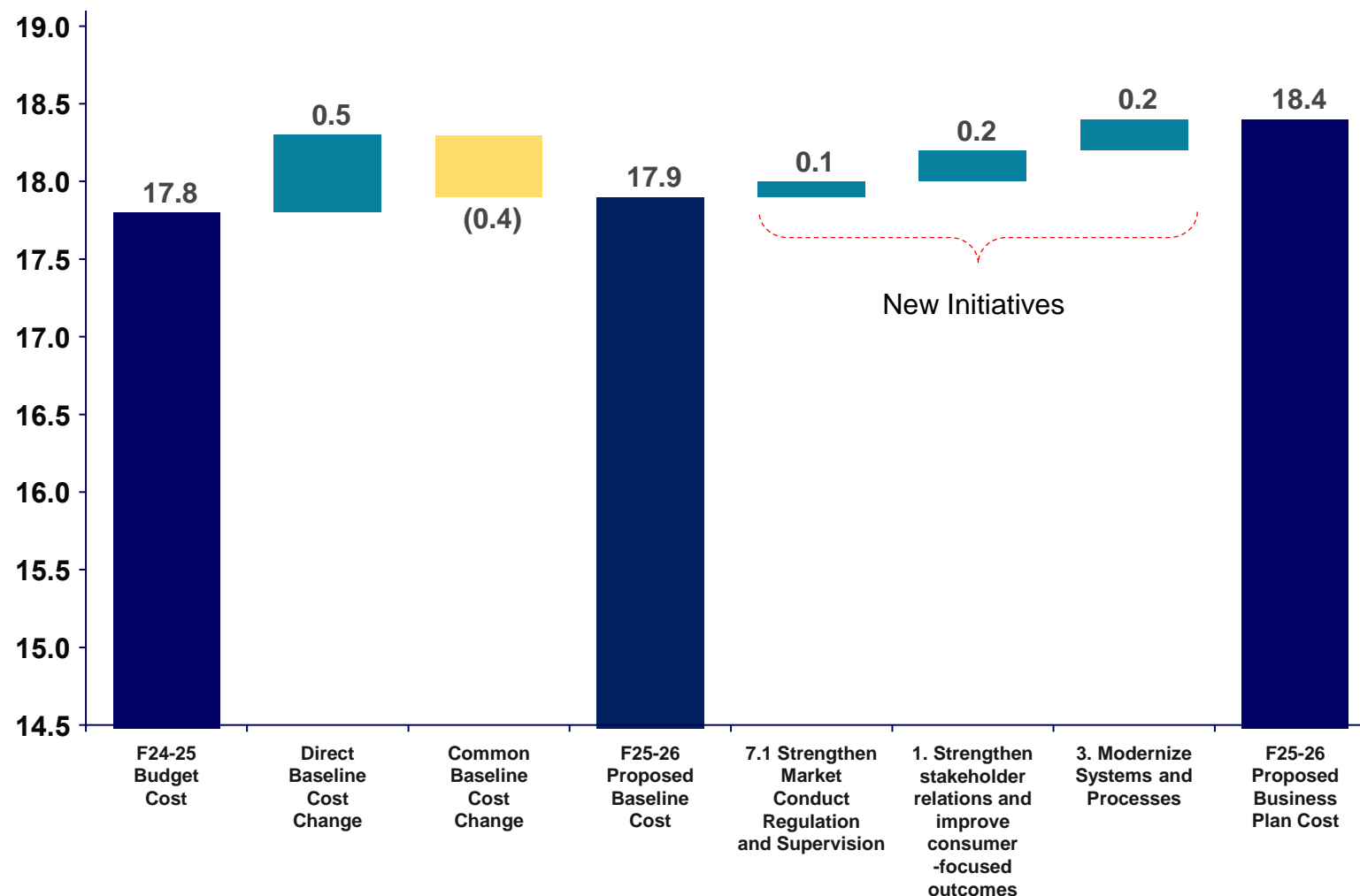
Sector (\$M)	Insurance						Pensions	Credit Unions	Mortgage Brokers	Loans & Trusts	Financial Planners & Financial Advisors	Total
	Auto Products*	Health Service Providers	P&C Conduct	P&C Prudential	Life & Health Conduct	Life & Health (MGA)						
<b>FY2025-2026 Proposed Revenue</b>												
Activity and Licensing Fees	-	3.5	1.2	-	7.0	-	-	-	18.2	-	0.1	30.0
Fee Assessment	16.4	-	9.8	3.7	9.5	1.5	24.8	19.3	-	0.8	0.8	86.6
<b>FY2025-2026 Proposed Revenue</b>	<b>16.4</b>	<b>3.5</b>	<b>11.1</b>	<b>3.7</b>	<b>16.5</b>	<b>1.5</b>	<b>24.8</b>	<b>19.3</b>	<b>18.2</b>	<b>0.8</b>	<b>0.9</b>	<b>116.6</b>
Direct Cost	11.4	2.4	8.0	2.7	11.7	1.0	18.0	14.0	13.2	0.6	0.6	83.5
Common Cost	5.9	1.1	3.7	1.2	5.4	0.4	8.3	6.4	6.1	0.3	0.3	39.1
<b>FY2025-2026 Proposed Cost</b>	<b>17.3</b>	<b>3.5</b>	<b>11.7</b>	<b>3.9</b>	<b>17.0</b>	<b>1.4</b>	<b>26.2</b>	<b>20.4</b>	<b>19.3</b>	<b>0.8</b>	<b>0.9</b>	<b>122.6</b>
Expected Fixed Fee Under Contribution to Common Costs	0.2	-	0.1	0.0	0.1	0.0	0.3	0.2	(1.1)	0.0	0.0	-
Funding from Cumulative Surplus	1.1	-	0.8	0.3	0.7	-	1.7	1.4	-	0.1	0.1	6.0
<b>FY2024-2025 Revenue</b>												
Activity and Licensing Fees	-	3.5	1.3	-	7.3	-	-	-	18.1	-	0.1	30.4
Fee Assessment	15.9	-	9.3	3.7	9.3	-	25.1	19.0	-	0.8	0.7	83.7
<b>FY2024-2025 Revenue</b>	<b>15.9</b>	<b>3.5</b>	<b>10.6</b>	<b>3.7</b>	<b>16.6</b>	<b>-</b>	<b>25.1</b>	<b>19.0</b>	<b>18.1</b>	<b>0.8</b>	<b>0.9</b>	<b>114.1</b>
<b>Fee Assessment Variance Increase/(Decrease)</b>	0.6	-	0.5	0.0	0.2	1.5	(0.3)	0.3	-	0.0	0.0	2.9
	3.5%		5.0%	0.6%	2.4%		-1.0%	1.8%		2.5%	3.2%	3.5%
<b>Total Revenue Variance Increase/(Decrease)</b>	0.6	(0.0)	0.4	0.0	(0.1)	1.5	(0.3)	0.3	0.0	0.0	0.0	2.5
	3.5%	-1.2%	4.0%	0.6%	-0.6%		-1.0%	1.8%	0.2%	2.5%	2.8%	2.2%
<b>FY2024-2025 Cost</b>	<b>17.9</b>	<b>3.5</b>	<b>12.0</b>	<b>4.1</b>	<b>17.8</b>	<b>-</b>	<b>28.3</b>	<b>21.4</b>	<b>19.1</b>	<b>0.9</b>	<b>1.0</b>	<b>126.1</b>
<b>Cost Variance Increase/(Decrease)</b>	(0.6)	(0.0)	(0.3)	(0.2)	(0.8)	1.4	(2.1)	(1.0)	0.2	(0.0)	(0.0)	(3.5)
	-3.4%	-1.2%	-2.7%	-5.9%	-4.6%		-7.4%	-4.7%	1.2%	-4.1%	-3.8%	-2.8%

\* Includes HSP under/(over) recovery

Note: In the view above, net interest income is included as a reduction to the common cost across all sectors. It will be depicted as a revenue item in the FSRA's annual financial statement. The amounts are rounded to the nearest \$0.1M. Consequently, some variances and totals may not precisely align

# FY2025-2026 Plan: Total Life and Health Conduct

## Key Changes (\$M)



## FY2025-2026 Proposed Business Plan Cost: \$18.4M

- The FY2025-2026 Proposed Baseline Cost is expected to be **\$17.9M**, an increase of **\$0.1M** or **0.6%** compared to the FY2024-2025 Budget Cost, due to a Direct Baseline Cost Change of **\$0.5M** and a Common Baseline Cost Change of **(\$0.4M)**
- New initiatives for FY2025-2026 are budgeted at **\$0.5M**, with the investments focused on promoting the following priorities:
  - 7.1 Strengthen the market conduct regulation and supervision of intermediaries, including Managing General Agents (“MGAs”)
  - 1. Strengthen stakeholder relations and improve consumer-focused outcomes
  - 3. Modernize Systems and Processes

# Proposed FY2025-2026 Business Plan (Sector View)

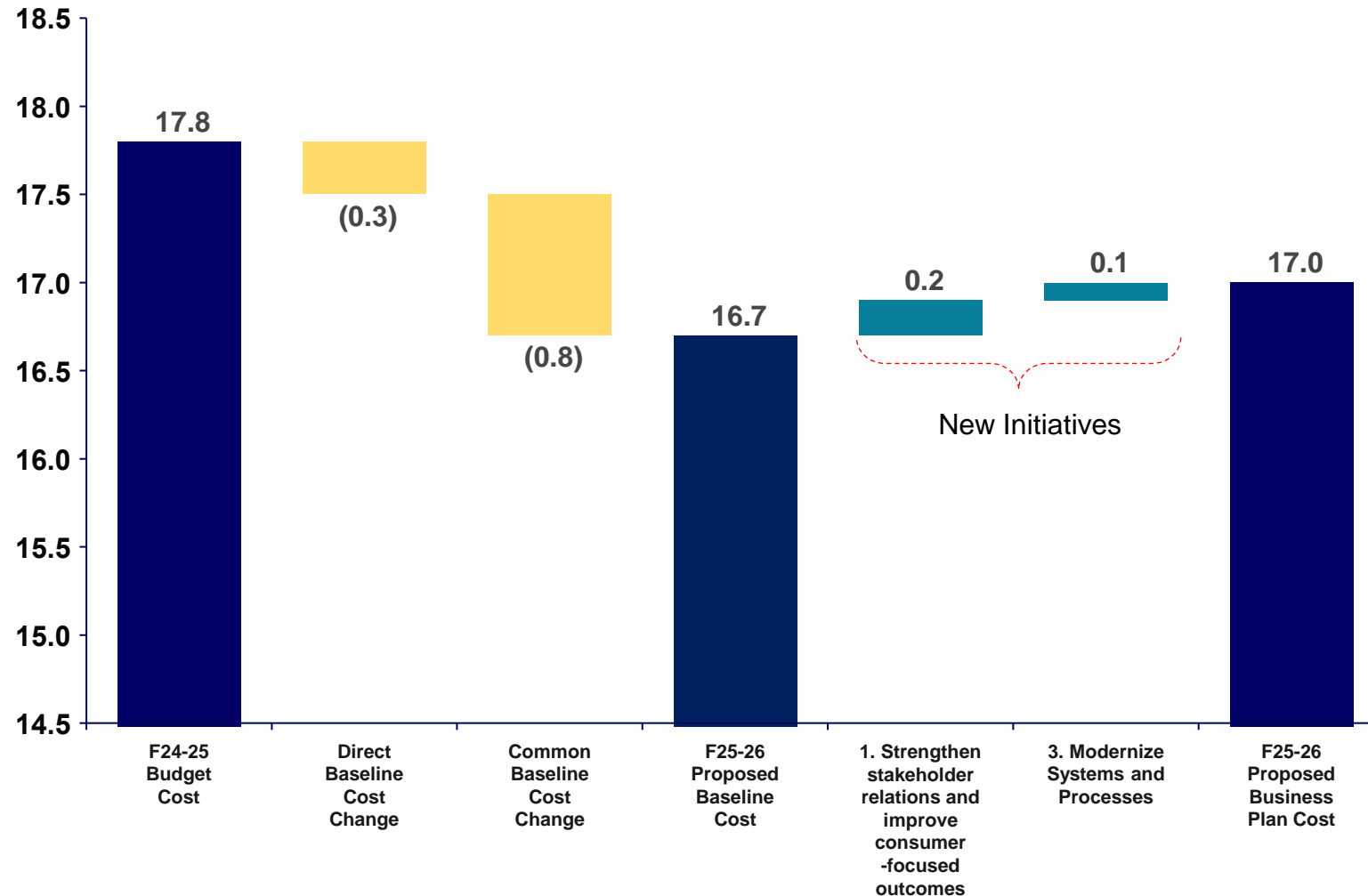
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# FY2025-2026 Plan: Life and Health Conduct – excluding MGA

## Key Changes (\$M)



## FY2025-2026 Proposed Business Plan Cost: \$17.0M

- The FY2025-2026 Proposed Baseline Cost is expected to be **\$16.7M**, a decrease of **\$1.1M** or **6.2%** compared to the FY2024-2025 Budget Cost, due to a Direct Baseline Cost Change of **(\$0.3M)** and a Common Baseline Cost Change of **(\$0.8M)**
- New initiatives for FY2025-2026 are budgeted at **\$0.3M**, with the investments focused on promoting the following priorities:
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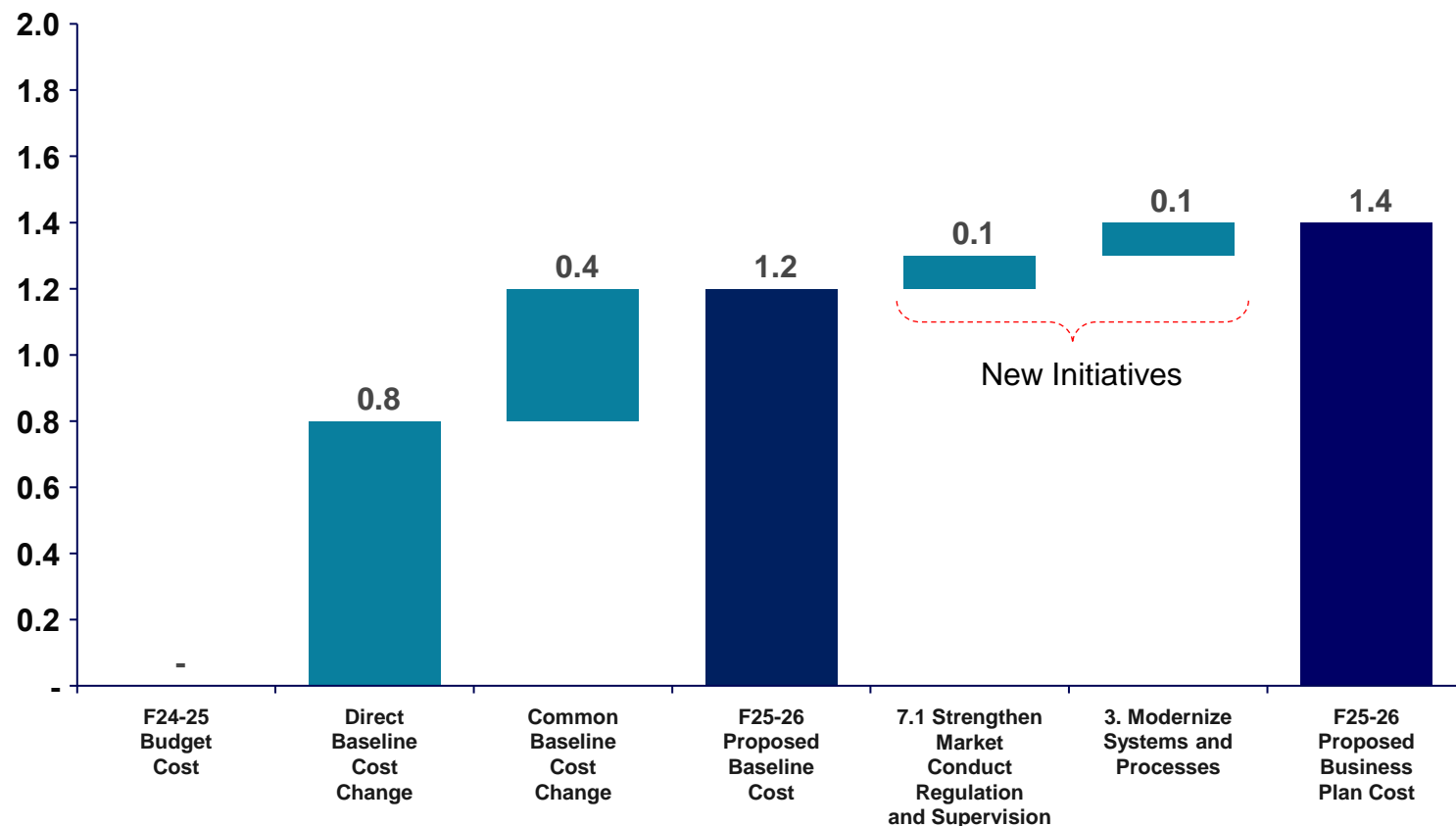
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# FY2025-2026 Plan: Life and Health Conduct (MGA)

Key Changes (\$M)



## FY2025-2026 Proposed Business Plan Cost: \$1.4M

- The FY2025-2026 Proposed Baseline Cost is expected to be **\$1.2M**, which consists of a Direct Baseline Cost of **\$0.8M** and a Common Baseline Cost of **\$0.4M**
- New initiatives for FY2025-2026 are budgeted at **\$0.2M**, with the investments focused on promoting the following priorities:
  - 7.1 Strengthen the market conduct regulation and supervision of intermediaries, including Managing General Agents (“MGAs”)
  - 3. Modernize Systems and Processes
- The Managing General Agent (“MGA”) will be treated as a sub-sector under the Life & Health sector. Its costs will be recovered from this sector once regulation commences, and an appropriate fee rule is established. Costs are currently being accrued and deferred until the launch to ensure that other sectors do not bear the financial burden of the MGA during the establishment of the regime.

# Q&A

# Appendix A: Strategic Framework

## Operate effectively to be a high-performing regulator

- We will consistently deliver on our core business functions.
- We will apply continuous improvement methodologies to review operations.
- We will modernize tools and processes with a continued focus on digitization and automation.
- We will create an improved experience for stakeholders interacting with FSRA.
- We will clearly communicate our expectations to increase stakeholders' understanding of FSRA's regulatory approaches and activities.
- We will continue to work with government partners to maintain an alignment of priorities.

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

- We will embed a consumer lens in our guidance and rules.
- We will thoughtfully engage with regulated sectors, consumers, credit union members, and pension plan beneficiaries to understand their current and future needs.
- We will enable innovation and greater choice for consumers.
- We will conduct research to better understand risks and opportunities for consumers, credit union members, and pension plan beneficiaries.
- We will support efforts to enhance consumer, credit union member, and pension plan beneficiary education and knowledge.



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

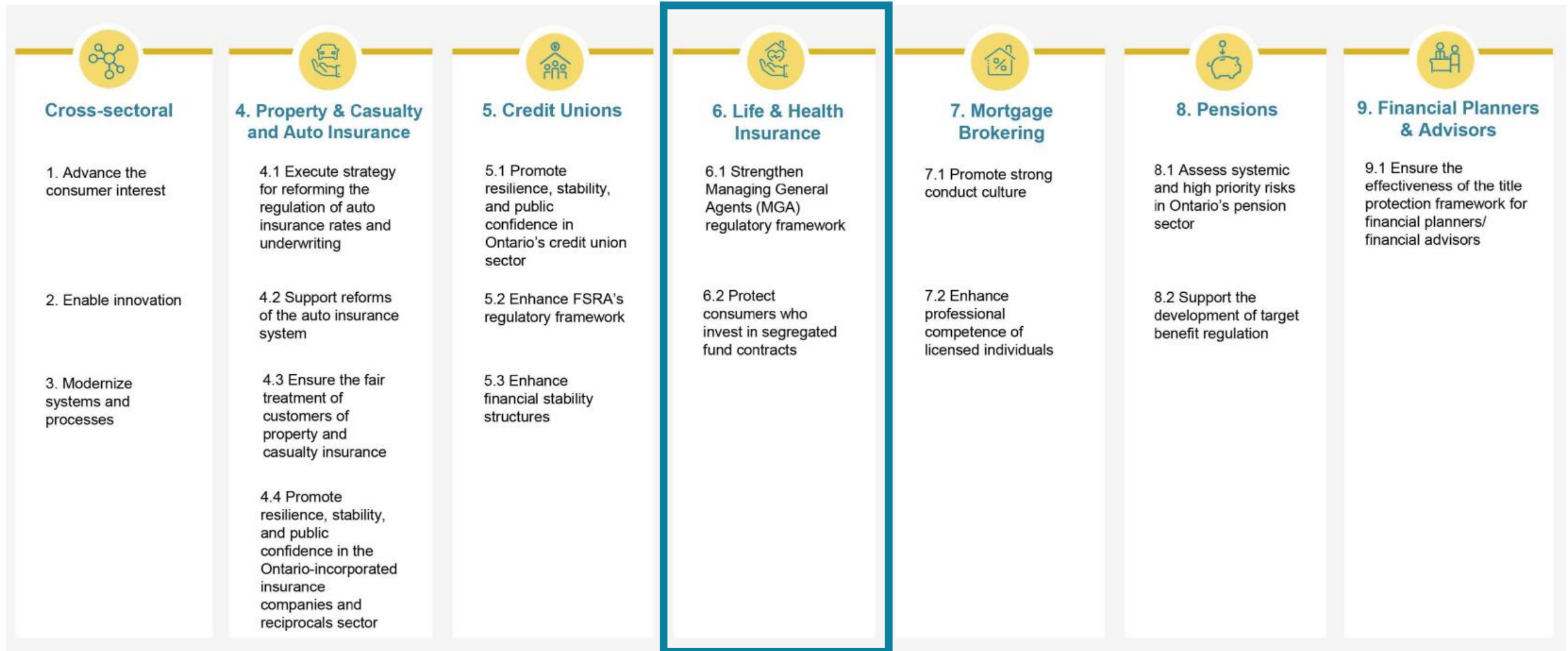
- We will apply a consistent and transparent approach to regulatory oversight and decision-making.
- We will collect more data and increase our internal capabilities to make evidence and risk-based decisions.
- We will be responsive to the regulatory environment and adapt our approach to regulation as needed.
- We will continue transitioning to principles-based regulation by focusing our efforts on desired outcomes.
- We will build stronger relationships with other regulators through cooperation, collaboration, and sharing of leading practices.

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

- We will retain and develop top talent with deep expertise and invest accordingly.
- We will foster a culture that is inclusive and exemplifies our values.
- We will organize and support our talent to effectively deliver on FSRA's strategic priorities and regulatory operational requirements.
- We will promote a culture where staff are actively empowered to lead, held accountable, and recognized for outcomes.

# Appendix B: FY2024-25 FSRA Priorities

# FY 2024-25+ Strategic Priorities



# Appendix C: FY2025-26 Cross-Sectoral Priorities

### 1. Strengthen stakeholder relations and improve consumer-focused outcomes

#### Outcomes We Are Seeking

- A consumer-centric culture that informs FSRA's strategic direction and supervisory activities.
- A regulatory environment that supports and enables innovation.
- Enforcement that is effective, timely, proportionate and considers the impact of non-compliance on consumers.

#### Key Activities to Achieve Outcomes

- a) Provide excellent consumer service to stakeholders, and measure and report on results and opportunities for improvement through a comprehensive stakeholder survey.
- b) Use consumer experience data from stakeholders and other sources, such as FSRA research, to inform FSRA's supervisory activities.
- c) Enhance innovation-focused stakeholder engagement efforts to continue to strengthen brand recognition and identify new collaboration opportunities.
- d) Leverage a transparent approach and available technologies to develop FSRA's investigation and enforcement framework across the regulated sectors to reinforce consumer-centric supervisory processes and to deter misconduct.



### 3. Modernize Systems and Processes

#### Outcomes We Are Seeking

- Enhanced operational efficiency across FSRA.
- Increased regulatory and supervisory ability through the use of artificial intelligence (“AI”) and machine learning (“ML”).
- Successful delivery of projects on-time and within capital allocations.
- Improved cyber security and operational resiliency.

#### Key Activities to Achieve Outcomes

- a) Enhance FSRA’s AI and machine learning capabilities through continued implementation of projects using FSRA’s AI/ML tools, employing FSRA’s AI governance model, and continued implementation of FSRA’s AI/ML training program.
- b) Implement an enterprise-wide data strategy.
- c) Enhance cyber security measures through Extended Detection and Response (“XDR”).
- d) Improve data security measures to protect sensitive data by enhancing monitoring of data transfers and enhancing cryptographic control.
- e) Develop and implement an updated strategy to address the delays for FSRAForward to replace legacy systems and increase efficiencies.