

13 November, 2023

Mr. Mark White, CEO
Financial Services Regulatory Authority of Ontario
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Toronto, Ontario
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<https://www.fsrao.ca/engagement-and-consultations/consultation-fsras-proposed-2024-2025-statement-priorities#comment-form-dropdown>

RE: CAFII Feedback on Proposed FY2024-2025 Statement of Priorities

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 provide comments on FSRA's *Proposed FY2024-2025 Statement of Priorities*.

In this submission, we have restricted our comments to those sections of FSRA's *Proposed FY2024-2025 Statement of Priorities* which are germane to CAFII members, i.e., to the Environmental Scan, to the FSRA-Wide Strategic Priorities, to the Life and Health Insurance Sector-specific Priorities, and to FSRA's Proposed Fiscal Year 2024-25 Budget.

We applaud FSRA for its efforts to ensure that the recommendations in the value-for-audit report from the Office of the Auditor General of Ontario are implemented in a timely manner.

We largely agree with FSRA's observations in its environmental scan, in particular, its view of the ongoing impact of inflationary pressures, the cost-of-living struggles many in Ontario are facing, and the challenges around talent acquisition and retention. In 2023, CAFII conducted research with polling firm Pollara which found that Canadians were cutting back on purchases across the board, with one exception—consumers indicated a higher willingness to purchase life insurance than the year prior, possibly pointing to the changes in behaviour that have occurred due to the pandemic.

We agree completely with your assessment that there are unprecedented technological changes occurring within the Canadian economy that carry unclear implications for all sectors. In that regard, at a reception following a CAFII Board meeting on 4 April 2023, CAFII invited a keynote speaker to address these issues. Kartik Sakthivel, Vice President and Chief Information Officer at LIMRA and LOMA, indicated that artificial intelligence, machine learning, and other technological changes had the potential to create transformative change in the life and health

insurance industries¹. While we agree with the need to monitor the technological environment to assess potential impacts to consumers, we also note that there is nothing inherent in technology to suggest that the changes we are observing will lead to harm. Technological change can enhance choice, improve products, and strengthen customized solutions for customers. We believe that FSRA's emphasis on the fair treatment of customers is the best approach to ensuring that companies navigate these changes in a way that promotes customer interests.

CAFII is aligned with FSRA's comments on the importance of Diversity, Equity, and Inclusion, and we have initiatives to promote DEI objectives. Specifically, our Association has created a Working Group on DEI to explore ways in which CAFII can promote those important objectives. We also held a webinar on 26 October 2023, with expert consultant Elissa Gurman on "Words Matter" about inclusive language²; several FSRA staff executives attended.

We believe that FSRA's comments on the significant risks that vulnerable persons face are important and need to be the subject of further attention. This is an area of great interest to CAFII members, including how to address the very high levels of Canadians who do not have life or health insurance or who have insufficient life or health insurance coverage. We note that research by LIMRA has shown that over half of Canadians fall into these categories, and the percentage increases at lower income levels.

We continue to feel that FSRA is a consultative, engaged regulator, and an example of this is the important discussions that have taken place through the Life & Health Insurance Sectoral Advisory Committee. We support your strategic framework, including the focus on operating effectively to be a high-performing regulator, the focus on evidence-based and risk-based decisions, the importance of protecting the public interest to enhance trust and confidence in the sectors FSRA regulates, and the emphasis placed on continuing to attract talent to your organization.

We are concerned however that the Ontario government is exploring lowering the minimum consultation period for new rules developed by FSRA to 60 days. CAFII has to consult internally with its members in the development of a submission on a regulatory initiative like the creation of a new rule, and this can be a time-consuming process. Our members are volunteers with the Association who have paid jobs in their organizations, which is another challenge. If the minimum consultation period is reduced to 60 days, this will make it all the more important for FSRA to advise as early as possible of consultations coming down the pipeline, and to possibly engage industry in pre-consultations.

¹ A copy of his presentation can be found on our website at <https://www.cafii.com/an-overarching-presentation-on-important-transformations-occurring-in-the-life-and-health-insurance-space-by-kartik-sakthivel/>.

² A summary of the webinar can be found at <https://www.cafii.com/category/events/>.

In particular, we support the commitment to “strengthen the consumer focus.” We particularly encourage FSRA to engage in conducting research and analysis to respond to trends that impact consumers, as consumers are evolving rapidly in their expectations in response to societal and technological change. Since these are areas of particular focus for CAFII and other industry stakeholders, we are confident that industry can provide some insights and helpful ideas on how to structure such research and on the areas of emerging change. Additionally, we have previously communicated to FSRA our support of the following initiative: *“Implement existing FSRA guidance by building processes to use revenues retained outside of the Consolidated Revenue Fund under the Financial Services Regulatory Authority of Ontario Act, 2016 for educational, research and knowledge or information-enhancement initiatives” (page 12).*

We note in that regard your announcement of October 12, 2023 that you are accepting applications for grant funding: *“The Financial Services Regulatory Authority of Ontario (FSRA) is using the money it collects from enforcement actions to help consumers with financial literacy, financial awareness and the understanding of market trends in the province.”* This has the potential to produce important initiatives around research and consumer financial literacy and we applaud the development of this program.

With respect to the “Enable Innovation” priority, we support FSRA’s continued efforts in this area. The needs of consumers and the industry are changing and challenging the regulatory system faster than current mechanisms can adapt. From CAFII’s view, the deliverables and outcomes specified by FSRA under this priority are appropriate. We continue to believe in the benefits of “regulatory sandboxes” that provide a safe, monitored space within which to test innovative products and services while ensuring consumer protection.

We support FSRA’s commitment to “modernize systems and processes,” and appreciate your statement: *“Enabling data analytics for each of the regulated sectors to empower FSRA policy and supervisory activities” (page 14).* We encourage FSRA to try to collect data through the CCIR Annual Statement of Market Conduct (ASMC) survey, to avoid duplicative and repetitive data collection by various regulators across the country. As part of the modernization process we encourage FSRA to seek a data collection process that makes the data collected comparable across institutions so that it can be analyzed effectively, and reported on and shared in a way that provides insights. We are concerned that the data collected by the ASMC may not be easily analyzed, may be subject to manual analysis, and has resulted in reports that are quite delayed.

We fully support FSRA’s commitment to enhance FSRA’s talent management framework and believe FSRA will face the similar challenges that industry is facing, with changing employee expectations, heightened retirements, a shrinking talent pool, and new societal expectations, including around working remotely. We are encouraged by the high quality of the FSRA executive team and believe that FSRA has, since its inception, recruited exceptionally well.

We are aligned with FSRA's cross-sectoral priorities of advancing the consumer interest, enabling innovation, and modernizing systems and processes. On the issue of promoting the consumer interest, CAFII was very pleased to hold a webinar on 19 October, 2023, with FSRA EVP Glen Padassery and Chief Consumer Officer Stuart Wilkinson on the Authority's Consumer Office³.

With respect to the life and health insurance sector-specific priorities, CAFII supports all efforts to ensure that trust in the life and health insurance sector is protected and efforts are made to promote the consumer interest. We support the efforts by FSRA to ensure that the highest standards of consumer protection remain at the forefront of regulatory efforts. We are also pleased that FSRA's emphasis on resolving issues with some MGA channel companies is specific about that channel and does not reference distribution channels generally. Credit Protection Insurance is distributed mostly through branches of banks and credit unions and it is CAFII's perspective that the industry is performing well, and compliant with regulatory requirements and expectations around the Fair Treatment of Customers. This distribution channel, in our view, should not be caught up in the initiatives around MGAs.

We are pleased that FSRA is playing a leadership role in the International Association of Insurance Supervisors (IAIS). In that connection, Mark White as Chair of IAIS' Market Conduct Working Group recommended Nicholas Herbert-Young of the IAIS and the UK's Financial Conduct Authority (FCA) as a speaker for a CAFII webinar, and we were pleased to have Mr. Herbert-Young as our panelist for a webinar held on 27 April, 2023⁴.

In the past, CAFII has extended kudos to FSRA for adopting *CCIR/CISRO's Guidance: Conduct of Insurance and Fair Treatment of Customers* as the document which outlines FSRA's expectations of industry with respect to FTC, without the need for a separate FSRA Guideline in this area. FSRA has set up a leadership example of supporting national co-ordination and harmonization by adopting the CCIR/CISRO Guidance. In that respect, we note and support FSRA's many references to the fair treatment of consumers in the *Proposed FY2024-2025 Statement of Priorities*; we encourage continued emphasis on such references being consistent with the CCIR/CISRO Guidance to make it clear that a harmonized approach continues to be prioritized.

We appreciate, in connection with the themes elaborated in the FY2024-2025 Statement of Priorities, FSRA's continued commitment to open and transparent communication with regulated entities. In that connection, we are very appreciative of FSRA's offer to let CAFII make a 90-minute presentation at its offices in North York on 15 November, 2023 on our priorities and on the results of some recent research we have conducted. We look forward to that opportunity to continue to share information with FSRA staff executives and to engage in a dialogue with the Authority's team.

³ A summary of the webinar as well as a recording of it can be found at <https://www.cafii.com/category/events/>.

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With respect to the FSRA's proposed 2024-2025 Budget, we note that it calls for a significant increase in FSRA's revenue, and that the life & health conduct variable revenue line is up by 7.9%, after a prior year increase in 2023-2024 of 9.6%. The inflationary 2023 year has been another very challenging one for the life and health insurance sector, and the industry has made considerable efforts to respond to shifting and heightened consumer needs and expectations in these difficult times. We encourage FSRA to keep in mind those factors, along with the increased compliance costs which inevitably arise from a heightened level of conduct supervision, when considering the imposition of steep fee increases upon the life and health insurance sector.

In closing, we again express CAFII's appreciation for FSRA's continued commitment to open and transparent communication and consultation. We look forward to making further representations of our Association's views on FSRA's *Proposed FY2024-2025 Statement of Priorities* through the Life and Health Insurance Sectoral Advisory Committee's meetings, which CAFII actively participates in.

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 15 members include the insurance arms of Canada's major financial institutions--BMO Insurance, CIBC Insurance, Desjardins Insurance, National Bank Insurance, RBC Insurance, Scotia Insurance, and TD Insurance, along with major industry players Assurant Canada, The Canada Life Assurance Company, Canadian Tire Bank, Chubb Life Insurance Company of Canada, CUMIS Services Incorporated, Manulife (The Manufacturers Life Insurance Company), Securian Canada, and Valeyo.