

FSRA

Financial Services Regulatory
Authority of Ontario



www.fsrao.ca



Market Conduct Activities Report

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Executive Summary

The Financial Services Regulatory Authority of Ontario (FSRA) is a regulatory agency of the Ministry of Finance that regulates insurance, mortgage brokering, loan and trust companies, credit unions, caisses populaires and pension plans in Ontario. To protect consumers and enhance public confidence in the sectors it regulates, FSRA monitors, reviews and when there is non-compliance with legislation and regulations, takes appropriate action against the sectors it regulates and persons who are illegally engaged in those sectors.

Members of FSRA's Market Conduct Team perform a key role in enforcing certain filing requirements in the Mortgage Brokering and Health Service Provider Sector. In addition, FSRA's Licensing Specialists and Regulatory Discipline Officers (RDOs) work with Licensees to ensure consumer protection through licensing actions including conditions, suspensions and licence withdrawals. They also may impose administrative monetary penalties to address administrative contraventions, issue Letters of Warning, and educate licensees and applicants of the legal requirements under the respective Act.

Where Market Conduct identifies potential serious regulatory misconduct in the sectors it oversees, it escalates the matter for further investigation and enforcement sanction, if merited. Those matters are published at [FSRA's Enforcement Actions page](#).

The key objectives of FSRA's 2021/22 fiscal year licensing activities were to increase the overall compliance awareness and culture of licensees in all sectors and to ensure that there is a level of consumer protection where licensees are deficient with requirements or have had other sanctions imposed.

Key outcomes are summarized below:

Mortgage Brokerage (MB) Licensees and Mortgage Administrator (MA) Licensees

Non-compliant Licensees: Failing to File Annual Information Return

Licensed mortgage brokerages and mortgage administrators are required to file an AIR annually under section 29 of the [Mortgage Brokerages, Lenders and Administrators Act](#),

[2006](#) (MBLAA). The AIR is a set of questions designed to assist FSRA with understanding industry demographics, level of business activities and existing or emerging risk that informs FSRA's future work.

Key highlights include:

- 82 Caution Letters sent to licensees that filed the AIR after the filing deadline
- 29 mortgage brokerage licensees complied and filed their outstanding AIR
- 7 mortgage administrator licensees complied and filed their outstanding AIR
- Received 20 surrender applications

Non-compliant Licensees: Mortgage Brokerages without a Principal Broker

Under the MBLAA Section 7(6), each mortgage brokerage must appoint one Principal Broker (PB). The PB's job is to be the chief compliance officer for the mortgage brokerage and the individual must hold a mortgage broker license in good standing. A mortgage brokerage must have a PB at all times. In addition, a mortgage brokerage may only have one PB at a time.

PB licenses, which are Broker's licences allowing them to supervise others, will expire and must be renewed each year before March 31. If an existing PB, does not renew or transfers to another brokerage, the brokerage they have left, must appoint another suitable Principal Broker. If there are no other licensed brokers in the brokerage to be appointed as PB, the brokerage license will be suspended or revoked. This not licenced to sell condition impacts existing agents aligned with the abandoned brokerage as well.

FSRA is revoking the license of 21 mortgage brokerages, with no active PB and another 18 mortgage brokerages have complied by assigning a PB with a mortgage broker license in good standing to their brokerage.

Audited Financial Statements Review of Mortgage Administrators Licensees

FSRA is committed to protecting consumers who use the services of licensed mortgage administrators. Licensed mortgages administrators are required to submit audited financial statements annually to FSRA as per Section 3 of Ontario Regulation 193/08 under the

MBLAA. The review of the Mortgage Administrator’s audited financial statements helps FSRA enhance its understanding of the sector and provide better data for identifying high-risk administrators, which are used to prioritize supervision activities and educate the sector. FSRA’s Market Conduct staff reviewed 219 audited financial statements to identify and remediate any instances of MBLAA non-compliance. Future work, that constitutes non-compliance with requirements of the Regulation, may be considered for regulatory outcomes, such as penalties, suspensions or revocations.

Market Conduct RDO Activity

Market Conduct staff have taken 83 action to address non-compliance with regulatory requirements across the Health Service Providers (HSP) Mortgage Brokering and Insurance sectors. There were a total of 12 actions that pertain to the HSP sector, 38 actions that pertain to the Mortgage Brokering sector and 33 actions in the Insurance sector.



Market Conduct Licensing Compliance Unit Activities

Market Conduct staff have escalated 118 files across the Insurance and Mortgage Brokering sectors to the RDOs, due to concerns related to an individual’s suitability to be licensed. 61 files in the Mortgage Brokering sector were escalated and 57 files in the Insurance sector were escalated. In addition, they have issued 557 letters of warning to applicants and licensees across the Insurance and Mortgage Brokering sectors for non-compliance with the relevant legislation. 18 letters of warning in the Mortgage Brokering sector were issued and 539 letters of warning in the Insurance sector were issued.

Health Service Providers (HSP) Licensees: Filing of Annual Information Return

Licensed HSPs are required to file an Annual Information Return (AIR) annually under [Section 21 of the Ontario Regulation 90/14](#) and [section 288.4 \(5\) of the Insurance Act](#). The AIR is a set of questions designed to assist FSRA with understanding industry demographics, level of business activities and existing or emerging risk that informs FSRA's future work.

A total of 1081 non-filing HSP licensees were contacted by Market Conduct staff.

Key highlights include:

- 633 Caution Letters sent to licensees that filed the AIR after the filing deadline
- Collection of over \$250,000 in Annual Regulatory Fees from non-filer licensees
- Achieved 2020 AIR filing compliance rate of 97% upon project completion
- Received 187 HSP surrender applications
- Issued 59 Suspension Orders and 169 Revocation Orders to non-filers who met certain criteria.

Introduction

The Financial Services Regulatory Authority of Ontario (FSRA) is an independent regulatory agency created to improve consumer and pension plan beneficiary protections in Ontario. FSRA's mission is to provide public service through dynamic, principles-based and outcomes-focused regulation. The organization's vision is to promote financial safety, fairness, and choice for Ontarians.

FSRA protects Ontarians by regulating the following sectors:

- Property and casualty insurance
- Life and health insurance
- Credit unions and caisses populaires
- Loan and trust companies
- Mortgage brokers
- Pension plan administrators
- Financial planners and advisors
- Health services providers (related to auto insurance)

As of March 31, 2022 year end, FSRA regulated or registered:

- 1,249 mortgage brokerages
- 241 mortgage administrators
- 3,036 mortgage brokers
- 16,051 mortgage agents
- 5,077 health service providers
- 67,021 insurance agents

The Mortgage Brokerage AIR collects information about mortgage brokering business volumes, practices, internal controls, and market conditions for the previous calendar year. The AIR filings help FSRA to obtain a better understanding of the mortgage brokering sector. Filing the AIR is a legal requirement outlined under section 29 of the [Mortgage Brokerages, Lenders and Administrators Act, 2006](#) (MBLAA).

The HSP annual information return (AIR) is an annual questionnaire designed to collect specific information from licensed HSPs, such as information regarding the HSPs' Principal Representative, business operations, business systems and practices, and billing information. Licensed HSPs are required to file the AIR annually. Filing the AIR is a legal

requirement outlined under [Section 21 of the Ontario Regulation 90/14](#) and [section 288.4 \(5\) of the Insurance Act](#).

During the 2021-2022 fiscal year, FSRA's Market Conduct Division was engaged in improving AIR filing compliance across the HSP and Mortgage sector. This project involved communicating and remediating filing issues with licensed HSP, MB, MA that failed to meet their regulatory requirement of filing the AIR. During this project, FSRA had issued caution letters for late filing and non-filing, and issued suspension and revocation orders for those licensees who did not file their AIR more than once between the AIR filing periods of 2017 to 2020.

Overview of FSRA's Market Conduct Unit Role in the Mortgage Brokering Sector



FSRA regulates the mortgage brokering industry in Ontario under the [Mortgage Brokerages, Lenders and Administrators Act, 2006](#) (MBLAA) and its regulations. FSRA is responsible for issuing the mortgage brokerages licenses, which is mandatory for every business dealing and trading in mortgages in Ontario.



All mortgage brokerages are required to **complete and submit an AIR by March 31** every year according to Section 29 of the MBLAA.



Furthermore, according to Section 7(6) of the MBLAA, all licensed Brokerages are required to have a Principal Broker (PB) appointment. The appointed PB must hold a Mortgage Broker license in good standing. Mortgage Brokerages that do not have a valid PB assignment result in an immediate license suspension.

Summary of Outcomes – Mortgage Brokerages

FSRA was established to replace the Financial Services Commission of Ontario (FSCO) and the Deposit Insurance Corporation of Ontario in 2019. FSRA’s Market Conduct Division identified instances of non-compliance with the filing of previous year AIRs (2017-2020) that occurred during the FSCO-FSRA transition period and had taken action to address the non-compliance. FSRA’s Market Conduct cautioned and reminded existing licensees that filed their 2017 to 2020 AIR after the March 31 deadline about the regulatory requirement of filing the AIR on time.



¹ Licensees that failed to file the 2017 AIR but had filed subsequent years’ AIR.

² Licensees that failed to file the 2018 AIR but had filed 2017 and subsequent years’ AIR.

³ Licensees that failed to file the 2019 AIR but had filed 2017, 2018 and 2020 AIRs.

21 surrender applications were received and/or processed by FSRA

FSRA is revoking the license of 21 mortgage brokerage licensees, with no active PB.

The implications of a Mortgage Brokerage without a Principal Broker are:

- MB is not authorized to carry on business of dealing or trading in mortgages
- MB should surrender license

If MB fails to assign a PB with a mortgage brokerage license in good standing, license will be suspended/revoked.

FSRA's remediation efforts to improve Mortgage Brokerage AIR filing compliance:



Mortgage Brokering Sector

84 non-filing **Mortgage Brokerage** licensees were contacted electronically and/or by registered mail.

10 non-filing **Mortgage Administrator** licensees were contacted electronically and/or by registered mail.



29 MB licensees and 7 MA licensees filed their outstanding AIR



18 MB licensees have complied and assigned a PB with a mortgage broker license in good standing to their brokerage

Overview of FSRA’s Market Conduct Unit Role In The Health Service Provider Sector

FSRA regulates the billing practices of service providers to help maintain fair and reasonable auto insurance rates for consumers. HSPs are typically medical practitioners, health, and rehabilitation clinics, as well as providers of assessments and examinations.



FSRA-licensed HSPs are **required to file the AIR and pay the required annual regulatory fee every year before the March 31 deadline**. Filing the AIR is a legal requirement outlined under [Section 21 of the Ontario Regulation 90/14](#) and [section 288.4 \(5\) of the Insurance Act](#).



Health Claims for Auto Insurance (HCAI) provides a mandatory and common platform for health care facilities to submit Treatment and Assessment plans, Treatment Confirmation Forms, and their associated invoices to auto insurers for review and adjudication. Businesses must be registered to bill auto insurers through HCAI.



Summary of Market Conduct Activities – Health Service Providers



1,081 (21% of total HSP licensees) non-filing Health Service Provider licensees were contacted electronically and/or by registered mail and were informed of their regulatory requirement of filing the Annual Information Return and paying the Annual Regulatory Fee.

1,081

Directives to File AIR sent to non-filing licensees electronically and/or by registered mail

700+

Personalized phone calls followed by email communications to HSP licensees

633

Warning letters sent to licensees that filed AIR after the filing deadline

Outcomes of HSP AIR Compliance Work



**586 HSP licensees
filed their overdue AIR**



**Collection of over \$250,000
overdue Annual Regulatory Fees**

Before the commencement of FSRA's Annual Information Return (AIR) compliance work, the 2020 AIR filing compliance rate across the HSP sector was approximately 81%.



Following AIR compliance work, the 2020 AIR filing compliance rate increased to over 97%.

Surrender Applications Processed by FSRA:

While Market Conduct works with licensees for AIR filing remediation, some HSP licensees elected to surrender their license. Reasons provided, include:

- Closure/sale of the business
- Retirement
- Business no longer deals with Statutory Accident Benefits Schedule (SABS) claimants

Market Conduct staff assisted licensees who elected to surrender their license, which require approval through FSRA's licensing team.



FSRA received and processed a total of 187 HSP surrender applications.

Did you know?

The surrender process is a voluntary action that is initiated by the licensee. If licensees no longer require a FSRA HSP license, the surrender approval process is initiated by submitting a surrender application to FSRA by logging into your [FSRA account](#).

Service providers approved for surrender of their license no longer have to pay the annual regulatory fees or file the AIR.

Please see the following [link](#) for more information regarding how a licensed HSP can surrender their HSP license.

Suspension and Revocation Orders

Licensed service providers are required to comply with the law. A service provider license may be suspended or revoked for any of the following reasons:

- The business has failed to pay the applicable fees
- The business is not registered and/or in good standing with HCAI
- The business has broken the law that governs service providers

When an HSP license is suspended, the business cannot receive direct payments from insurers for services and/or listed expenses during the suspension period. However, an HSP licensee may apply for their license to be reinstated after remediating issues that resulted in the license suspension.



FSRA issued a total of 59 Suspension Orders to HSP licensees that failed to file their AIR.

Did you know?

If a HSP license is suspended and then reinstated, the business can receive direct payments from insurers for listed expenses that were incurred before the license was suspended and/or after the license was reinstated. However, the service provider cannot submit invoices for listed expenses if the goods or services were provided and/or invoiced during the suspension period.

FSRA will exercise reasonable efforts to remediate filing compliance issues by contacting the delinquent HSP licensees and working with the licensee to file their overdue AIR. For those licensees who fail to comply with FSRA's remediation efforts, FSRA takes further regulatory action against licensees that failed to remediate filing compliance issues by executing license suspensions or license revocations for repeat offenders.



FSRA issued a total of 169 Revocation Orders to HSP licensees that failed to file their AIR for one or more years.

If an HSP license is revoked, the business can no longer receive direct payments from insurers for listed expenses. Revocations of the 169 HSP licensees are posted on FSRA's website at the following [link](#).

Summary of Orders Imposed – Health Service Providers

187

Surrender applications that were received and/or processed

169

Revocation Orders sent to delinquent HSP licensees

59

Suspension Orders sent to delinquent HSP licensees

Please visit the following [link](#) for additional information about HSP licensing obligations.

Non-AIR Market Conduct Supervision and - Regulatory Activities

FSRA's RDOs are responsible for conducting a comprehensive assessment of cases with identified potential violations of FSRA legislation and regulations resulting from complaints, examinations, licensing applications or compliance reviews. FSRA's RDOs determine, recommend, and execute case management strategies and appropriate actions.

FSRA's staff strive to protect consumers by ensuring that the applicable legislation and regulations are complied with by licensees across all sectors. Public confidence is gained through dynamic and principles-based supervision of FSRA's regulated financial service sectors. Staff use their knowledge of regulatory review, analysis, and risk assessment principles to recommend suitable actions that foster transparent, sustainable, and competitive financial services sectors.

During the fiscal year ended March 31, 2022, the FSRA staff have taken a total of 83 actions across the Health Service Provider, Mortgage Brokering and Insurance sectors. There were a total of 12 actions that pertain to the HSP sector, 38 actions to the Mortgage Brokering sector and 33 actions in the Insurance sector.

Regulatory Actions – Mortgage Brokering

During the fiscal year ended March 31, 2022, the following actions were completed in the Mortgage Brokering sector:

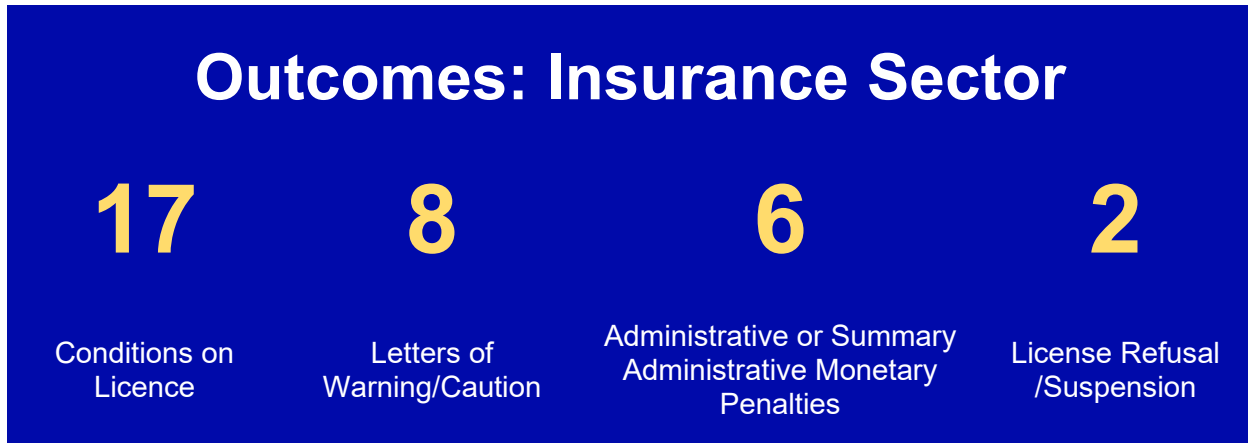


The main themes of non-compliance in the Mortgage Brokering sector addressed by the RDOs are suitability to hold a license and non-disclosure to borrowers. FSRA ensures that licensees are disclosing information prescribed by MBLAA and are acting with honesty and integrity as a licensing condition. Required disclosures can generally be grouped into the following categories: representation, remuneration, conflicts of interests, material risk and the cost of borrowing.

FSRA staff consider various factors relating to each application including time that has elapsed in cases of bankruptcy, remediation efforts and dollar amount of the bankruptcy. The condition imposed on a license may include increased supervision over the licensee's business conduct. FSRA may also impose a condition on a license in the event where the licensee has an open but unresolved sanction investigation from another regulator.

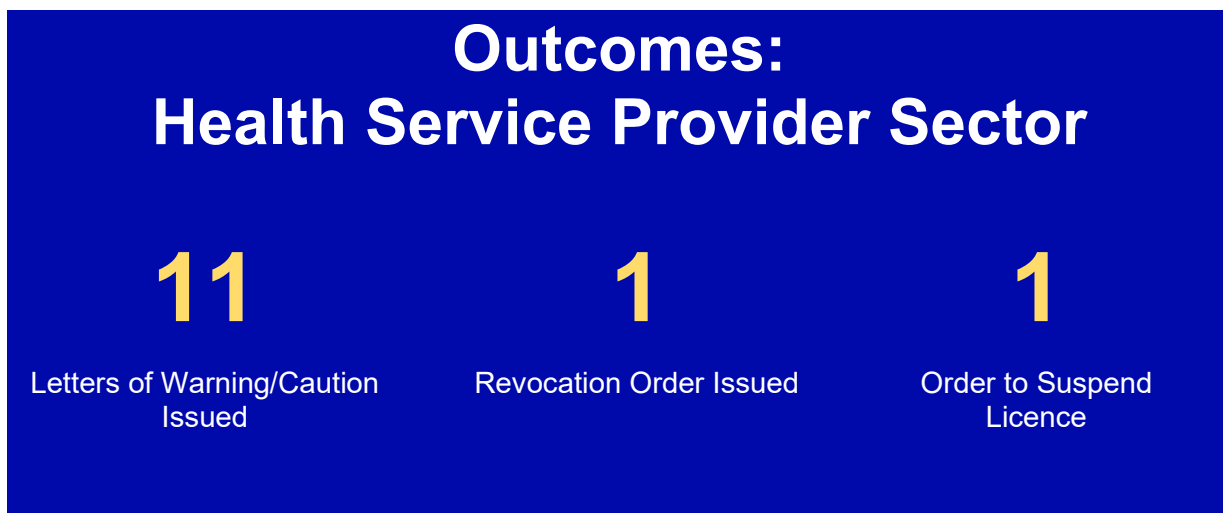
Regulatory Actions – Insurance Sector

During the fiscal year ended March 31, 2022, Market Conduct’s staff have completed the following actions related to the Insurance Sector:



The main themes of non-compliance in the Insurance Sector addressed by RDOs are suitability to hold a license and insufficient continuing education credits. FSRA’s role is to ensure that each licensee or those individuals that apply for a license meet suitability requirements including the completion of the mandatory continuing education requirements in accordance with the provisions of the Insurance Act.

Regulatory Actions – HSPs



The main themes of non-compliance in the HSP sector addressed by the RDOs are suitability to hold a license and failure to file the AIR. FSRA's role is to ensure that each licensed HSP is suitable to hold a license and ensure that the regulatory requirement of filing the AIR is met.

Licensing Compliance Unit

FSRA's Licensing Compliance Unit is made up of Licensing & Registration Specialists and Senior Registration Specialists (Licensing Specialists) who are responsible for reviewing licence applications for insurance and mortgage intermediaries where a suitability issue or deficiency is present. During the fiscal year ended March 31, 2022, the Licensing Specialists reviewed over 7,300 insurance agent licence and renewal applications, and over 3,600 mortgage agent and broker licence and renewal applications.

The Licensing Specialists conduct various background searches, collect additional information from applicants and their sponsors, and interact with regulators across Canada to assess each application. They also review applicants' disclosure on the application, to determine whether any false or misinformation has been provided, and review renewal applications, to assess a licensee's ongoing suitability to be licensed and their compliance with Continuing Education (CE) and Errors & Omissions (E&O) requirements.

FSRA's Licensing Specialists focus on consumer protection by ensuring that everyone that is granted a licence is qualified and suitable to be licensed. In situations where there is concern for an individual's suitability to be licensed, the Licensing Specialist makes a recommendation to add conditions to the licence or refuse the licence application. Where there is non-compliance with a requirement under the Acts FSRA administers, the Licensing Specialist may issue a letter of warning or recommend other actions to achieve compliance and protect the public. These situations are resolved by the Licensing Specialist, or escalated to an RDO to attempt to resolve the matter with the applicant.

During the fiscal year ended March 31, 2022, the Licensing Specialists have escalated a total of 118 files across the Insurance and Mortgage sectors to RDOs, with recommendations for conditions to be added to a licence, refusal of a licence application, and administrative monetary penalties. In addition, they have also issued letters of warning

to applicants and licensees across the Insurance and Mortgage Brokering sectors, as well as reviewed numerous applications for withdrawal.

Licensing Compliance Unit – Insurance Sector

During the fiscal year ended March 31, 2022, Market Conduct’s Licensing Specialists have completed the following activities related to the Insurance Sector.

Letters of Warning: The Licensing Compliance Unit issued 539 letters of warning to insurance agent licence applicants. Most often, the letters were issued to life insurance agents who failed to complete their Continuing Education hours within the required time period.



Applications Withdrawn: The Licensing Compliance Unit processed 344 withdrawals of insurance agent applications. The most common theme for the withdrawal was due to non-responsiveness by the agent or their sponsor.

344 Applications Withdrawn: Insurance Sector

213

No Response from
Agent/Sponsor

75

Withdrawn by Sponsor

35

Withdrawn by
Applicant

21

Duplicate/Incorrect
Application
Submitted

Files Escalated to RDO: The Licensing Compliance Unit escalated 57 files to the RDOs with a recommendation for action. The most common themes for the escalation were licensees with a bankruptcy or consumer proposal, licensees who were subject to enforcement action by another regulator, and licensees with a criminal record. The most common outcomes of the files were conditions added to the licence or the application being withdrawn.

57 Applications Escalated to RDO: Insurance Sector

17

Bankruptcy or
Consumer
Proposal

16

Other Regulatory
Enforcement/Action

11

Criminal
Record

6

Lawsuit/Judgment

7

Other

Licensing Compliance Unit – Mortgage Brokering Sector

During the fiscal year ended March 31, 2022, Market Conduct’s Licensing Specialists have completed the following activities related to the Mortgage Brokering Sector.

Letters of Warning: The team issued 18 letters of warning to mortgage brokering licence applicants. Most commonly, the letters were issued to applicants who failed to disclose information on their licence application.

18 Letters of Warning Issued – Mortgage Brokering Sector

15

Violation of Public Relations Materials

3

Nondisclosure of Potential Suitability Issue

Applications Withdrawn: The Licensing Compliance Unit withdrew 63 mortgage brokering applications. The most common theme for the withdrawal was the brokerage withdrawing sponsorship of the individual following inquiries by FSRA’s licensing specialist.

63 Applications Withdrawn: Mortgage Brokering Sector

31

Withdrawn by Sponsor

15

No Response from Agent/Sponsor

12

Withdrawn by Applicant

5

Duplicate Application Submitted

Files Escalated to RDO: The Licensing Compliance Unit escalated 61 files from the mortgage brokering sector to the RDOs with a recommendation for action. The most common themes for the escalation were licensees with a bankruptcy or consumer proposal, licensees with a criminal record, and licensees who were subject to enforcement action by another regulator. The most common outcomes of the files were the application being withdrawn and conditions added to the licence.



Conclusion



FSRA contributes to the public confidence in the mortgage brokering and insurance industry by promoting good conduct within the sectors by ensuring that licensees are compliant with their regulatory filings. FSRA's Market Conduct had increased the AIR filing compliance rate for the mortgage brokering and the insurance sectors through series of activities it had carried out during the 2021/2022 fiscal year.



FSRA's Market Conduct identified instances of non-compliance with the filing of previous year AIRs (2017-2020) and had taken regulatory enforcement actions against the non-compliant licensees.



FSRA will continue to monitor the sectors it supervises to ensure that compliance rate(s) continue to improve by monitoring and investigating when there is non-compliance with legislation and regulations.