

*Celebrating our first year* ✨

## CONTENTS

1. CEO Message
2. Board Update
3. Serving the Public Interest
4. Financial Planner and Financial Advisor Title Protection
5. Auto
6. Credit Unions
7. Market Conduct
8. Pensions

## CEO Message



### MARK WHITE

CEO, Financial Services Regulatory Authority of Ontario

Since our launch on June 8, 2019, FSRA has focused on financial safety, fairness and choice in the regulation of non-securities financial services in Ontario. We strive to serve the public through dynamic, principles-based and outcomes-focused regulation that is responsive to change in the sectors we regulate. We are using the broad expertise we are building, our guidance, rule-making and other regulatory tools and improved internal and external processes to improve our regulatory efficiency and effectiveness, and to foster strong, sustainable, competitive and innovative financial services sectors. This benefits consumers and members while keeping costs as low as reasonably possible. Most importantly, it protects the public, promotes high standards of conduct and builds confidence in the sectors that we regulate.

I am pleased to share a summary of our accomplishments from our first year. Our [scorecard](#) shows how we delivered against the first year of our [Business Plan 2019-2022](#). We have made substantial progress with 96 per cent of our F19-20 priorities being complete or substantially complete. This includes our burden reduction work to reduce inherited guidance by 51% while delivering greater clarity to our sectors and furthering the public interest through a new guidance framework and updates to key guidance. In the balance of this newsletter, we

discuss our achievements and activities across and in the sectors we regulate.

As our inaugural year ends, like most regulators across the globe, we have had to respond to the extraordinary circumstances brought on by COVID-19. Working with our sectors, FSRA's Consumer Advisory Panel, other regulators and the Government of Ontario, we have taken timely and relevant actions, such as issuing new guidance, extending the time needed to renew licences and pausing fee assessments and less critical supervisory activities, while focusing increased resources on the prudential and conduct risks and issues arising from the disruption.

These achievements over the past 12 months could not have been realized without the hard work and dedication of the FSRA team, and the collaborative support of industry, consumers, the Ministry of Finance and other stakeholders. I would like to express my thanks and appreciation for their valuable contributions. While delayed by the recent disruption, we have started work on our F20-21 priorities and we will soon be starting our planning for F21-22 and beyond. We look to our stakeholder community for their continuing engagement in our current year activities, and for their input on where we should focus our resources going forward.

## Board Update

We were pleased to announce the appointment of **Joseph Iannicelli** to the FSRA Board of Directors. Mr. Iannicelli has extensive experience in the financial services industry, serving as President and CEO for the Standard Life Insurance Company of Canada from January 2005 until February 2012. As head of a subsidiary of a UK parent company, Mr. Iannicelli dealt with financial services regulators in both Canada and the United Kingdom. He also served as CEO of Banyan Healthcare Services and as a strategic and management consultant with a Canadian public pension plan.



**JOSEPH IANNICELLI**  
Board Member

Terms for Bryan Davies, Blair Cowper-Smith, Brigid Murphy and Lawrence Ritchie were also extended this year.

Biographical information on all Board Members is available at [www.fsrao.ca/about-fsra/governance](http://www.fsrao.ca/about-fsra/governance).

## Serving the Public Interest



**GLEN PADASSERY**  
Executive Vice President,  
Policy and Chief Consumer Officer

### Consumers

Consumer expectations for choices and services are high, driving new technologies, business models, products and services. FSRA is working to enable the conditions for industry to respond to consumer needs around access and choice, protecting the public interest and safeguarding public confidence and trust in the financial services marketplace.

FSRA's [Consumer Advisory Panel](#), which was formed in January, is helping to strengthen our understanding of consumer needs and expectations. The Panel includes nine diverse consumer representatives with industry and advocacy experience from across sectors. They are providing valuable feedback on FSRA's policy-making and regulatory activities, and advice on FSRA's consumer research and engagement activities. At the same time, we are highlighting how our work is serving the public interest within each of our sectors. Consumers and other members of the public serve as important stakeholder voices on FSRA's priorities and budget, rule-making, and other matters, through FSRA's Stakeholder Advisory Committees and public consultations.

### Innovation

We know that older, inflexible regulatory frameworks hold back innovators and limit consumer choice and the economic benefits of industry competition and innovation. FSRA will continue to play a key role in shaping innovation, sector growth and the emergence of new technologies that foster a conducive environment and the right conditions for our sectors to thrive. With the launch of FSRA's innovation office, we are making progress by:

- identifying and supporting opportunities to foster innovation and business transformation;
- promoting collaboration with industry experts, incumbents, new entrants, and other regulators to better understand how we can minimize friction and help companies bring innovative products and services to market; and

- identifying regulatory limitations and working with our colleagues and the Ministry of Finance to promote ways to adapt the regulatory regime to foster innovation.

## Burden Reduction

Over the past year, FSRA has taken significant steps towards regulatory transformation that will reduce regulatory burden and protect the public interest. We were pleased to report on our progress in our [Burden Reduction Report](#) that was released in February. Progress achieved to date includes:

- Reviewing over 1,100 pieces of inherited regulatory guidance and maintaining only those that are relevant and necessary, resulting in a 51% overall reduction;
- Streamlining data collection and filings by eliminating \ requirements for unused/underutilized data and filings; and
- Developing a new service standard framework that will help ensure the consistent delivery of timely and predictable regulatory activities.

## New Guidance Framework

FSRA also introduced a [new guidance framework](#) to streamline processes and provide greater clarity on what is required of regulated entities. This framework reduces guidance to four distinct categories, making it easier to conduct business. Remaining inherited guidance will, over time, be reviewed and updated within this framework.

## Stakeholder Engagement

Our Stakeholder Advisory Committees are another example of how FSRA is committed to openness, transparency and collaboration with stakeholders. We believe that considering a broad range of perspectives is essential when making strategic decisions. Our six SACs provide valuable input and advice to FSRA's Board of Directors. Together, with the valuable input provided by our Consumer Advisory Panel and numerous Technical Advisory Committees, stakeholder perspectives will continue to be highly valued as we continue our work together.

# Financial Planner and Financial Advisor Title Protection



## HUSTON LOKE

Executive Vice President,  
Market Conduct

FSRA continues to make progress on implementing the Title Protection Framework for Financial Planner (FP) and Financial Advisor (FA) title users. We continue to engage with stakeholders to inform our future guidance and rules.

The framework helps ensure that consumers can be confident when they are obtaining advice from accredited FP or FA title holders. We are working to develop consistent, minimum standards for FP and FA title usage and to leverage existing financial services designations and licences to avoid unnecessary regulatory burden. Under the framework, individual title users will be required to hold an approved credential from a FSRA-approved credentialing body, and will be required to meet conduct requirements and professional standards as set out by their respective credentialing body.

## Auto



**TIM BZOWEY**

Executive Vice President,  
Auto/Insurance Products

Our work regulating automobile insurance focused on promoting transparency, monitoring sector trends, and strengthening public confidence by emphasizing fair treatment of consumers and ensuring just and reasonable rates.

FSRA released guidance in April that gave insurers a number of options for providing customers with financial relief, including the ability to offer emergency premium refunds and rebates. Though most insurers began to provide relief to vulnerable consumers immediately, we knew more could be done. We have been in continuous contact with insurers to ensure consumers are treated fairly. Given the dynamic nature of the situation, FSRA is continuing to monitor the market and use its tools to promote the fair treatment of consumers and reduce the risk of excessive premiums.

Updated auto insurance cost [benchmarks](#) were released in May following the conclusion of a new evidence-based and transparent process. This process involved a study of industry loss data to June 30, 2019 by a leading independent actuarial firm, followed by a public consultation. Benchmarks are updated twice a year to identify industry cost trends and are used by FSRA to help determine whether proposed rates are just and reasonable. The new Benchmarks show a decline in the expected future loss costs for Bodily Injury and Accident Benefits offset by continued growth in the expected future cost of vehicle repairs.

FSRA also developed its [guiding principles](#) that form the basis for its approach to automobile insurance rate regulation in collaboration with the Rate Regulation Advisory Group, with an emphasis on the consumer, transparency and innovation.

When consumers shop for auto insurance, insurers are required to offer the lowest rate available for each consumer's circumstances. Before an insurance policy expires, insurers are required to offer their customer a renewal if that customer continues to meet that insurer's eligibility rules. Insurers must accept all of the auto insurance business from consumers that meet their approved rules. This is commonly referred to as a

["Take-All-Comers"](#) requirement. FSRA is reviewing various activities and practices by insurers and/or brokers that may be contravening the Take-All-Comers rule and will be conducting supervisory reviews to ensure a coordinated approach is taken across the auto insurance system. In March, FSRA launched a public consultation related to this requirement. The consultation recently closed and we look forward to continuing our work in this important area with our sector partners.

There were a number of other key initiatives that progressed this year. The new [Standard Filing](#) significantly reduces the time and burden associated with rate filing applications for private passenger auto insurance. It also allows insurers to be more responsive to current market conditions, compete more vigorously for customers and make auto insurance pricing more fair and accurate. A review of the Health Service Provider regulation, in consultation with stakeholders, was also completed. This included examining how health service providers are regulated by FSRA with an emphasis on burden reduction and on access to treatment for claimants. By approving the use of [electronic proof of insurance](#) in Ontario, insurers may now provide electronic insurance cards that serve as proof of auto insurance on a mobile device.

We are proud of these accomplishments and look forward to making further progress on our ambitious agenda in the year ahead.

## Credit Unions



**GUY HUBERT**

Executive Vice President,  
Credit Union and Prudential

Our mandate in the credit union sector is to provide insurance against the loss of deposits with credit unions, and to promote and contribute to the stability of the credit union sector in Ontario, while allowing credit unions to compete effectively while taking reasonable risks.

In FSRA's Credit Union and Prudential group, our priorities included integrating credit union prudential and conduct supervision, ensuring appropriate resolution and Deposit Insurance Reserve Fund (DIRF) oversight framework, and supporting the modernization of credit union regulatory framework. Ontario's credit union and caisses populaires sector is made up of 66 institutions that when combined, hold over \$70 billion in assets. Despite current economic turmoil, the sector is well capitalized and has strong liquidity coverage.

FSRA is continuing to work with the credit union sector to promote stability in the system and protect credit union member deposits during this time of rapid change and disruption. Since March 2020, we announced a number of regulatory measures and issued guidance to help credit unions meet the needs of their members during the [COVID-19 disruption](#), such as enabling electronic members meetings, supporting loan payment deferrals and facilitating federal loan guarantee programs. In addition, since the COVID-19 disruption began, we have held two sector-wide virtual town hall meetings with the Ontario credit union sector, and countless bi-lateral and small group discussions, to report on FSRA initiatives and seek input on areas where we should focus efforts.

On April 8, 2020, the Minister of Finance approved FSRA's [Credit Union Deposit Insurance Advertising Rule](#), which governs how credit unions and caisses populaires advertise deposit insurance coverage administered by FSRA. FSRA's Credit Union Deposit Insurance Advertising Rule came into effect on April 23, 2020. Shortly thereafter, FSRA released a [digital consumer-focused educational campaign](#) to promote awareness of deposit insurance coverage for deposits held by Ontario credit unions. Credit union members can be confident that their qualifying deposits are well protected.

Credit unions are seeking to transform their business models, enhance competitiveness and respond to new product offerings and innovations in the sector. We continue to participate in the Ministry of Finance's initiative to modernize the credit union legislative and regulatory framework to support this transformation. Further, we are transforming our supervisory approach and sectoral guidance to become more principles-based and outcomes-focused to thereby support the diversity within the sector, evolving business models and the increasing sophistication of credit union governance, risk management and business practices.

In January 2020, the members of PACE Credit Union, a credit union under Administration by FSRA due to governance issues, elected a new Board of Directors recruited by FSRA to facilitate the return to member-controlled governance. In April 2020, FSRA granted this Board the power to manage the Credit Union, achieving a return to member controlled governance which we are confident will ultimately lead to the complete release of PACE from Administration.

In F19-20, FSRA worked collaboratively with the Canadian Credit Unions Association (CCUA) on a Market Conduct Code (MCC). The MCC encompasses best practices and aims to meet consumer expectations related to conduct by credit unions. Once adopted by credit unions, the MCC it will promote the harmonization of credit union market conduct standards in Ontario and, we hope, ultimately across Canada. Adoption of the MCC will support the protection of the rights and interests of credit union members as consumers.

In F20-21 and beyond, FSRA will continue to build on its commitment to principles-based regulation. FSRA will continue updating its credit union supervisory approach and risk assessment framework and will consult on and implement a plan to migrate to a principles-based and outcomes-focused approach. In support of this commitment, FSRA will continue to review existing guidance and develop new principles-based rules and guidance.

# Market Conduct



## HUSTON LOKE

Executive Vice President,  
Market Conduct

Core operational work in Market Conduct consists of licensing and overseeing nearly 90,000 entities, managing and triaging complaints, and engaging in supervisory reviews for the insurance, mortgage brokering, and health service provider sectors. Our focus for year 1 was to enhance market conduct oversight to protect consumers, provide effective syndicated mortgage investment (SMI) oversight, build out supervisory programs for non-SMI mortgage brokering and life insurance agents, and improve licensing effectiveness and efficiency.

In order to protect investors, FSRA launched a real-time [supervision approach and enhanced disclosure for retail investors](#). Our goal is to strengthen consumer protection by ensuring they make a more informed investment decision.

At the same time, FSRA identified opportunities to reduce burden for mortgage brokerages working with investors who are generally more knowledgeable and experienced with complex investments. FSRA consulted with industry to better understand their concerns and responded with the introduction of amended, shorter forms.

FSRA also committed to reviewing current data and filing requirements over the past year. The goal was to reduce burden on regulatory sectors, increase transparency and information sharing, and enhance industry benchmarking. In licensing, this resulted in streamlined [Annual Information Return \(AIR\) forms](#) for the mortgage brokering and health service provider sectors. By eliminating up to 38% of the questions compared to past forms, FSRA made AIR filing faster and easier to complete. By streamlining these forms, we sharpened our focus on collecting information that is the most valuable to informing our work with the sector.

As the COVID-19 disruption began to evolve earlier this year, FSRA prioritized conduct issues that could result in unfair treatment of consumers and businesses. We engaged extensively with industry to identify and manage issues and chaired a national working group of insurance regulators. Understanding that the normal course of business was disrupted and business continuity plans were activated at many workplaces, FSRA extended the deadlines to file AIRs, renew licences and complete continuing education requirements for participants in the mortgage brokering, health service provider and insurance sectors. FSRA also issued temporary licences to almost 200 General Agents working with insurance companies who sell property and casualty products directly. This enabled insurers to deal with up to an 800% increase in their call volumes in contact centers across the country. These accommodations provide regulated sectors with support and flexibility during this difficult time.

Most recently, FSRA issued [two Interpretation Guidance documents](#) to the mortgage brokering sector to increase protection for consumers involved in mortgage-based investments. These documents describe how the industry should contribute to protecting the rights and interests of consumers, promoting transparency through the appropriate disclosure of information, and supporting public confidence in the sector during disruptions, such as the current pandemic.

We have worked with Enforcement on frameworks to evaluate and escalate high priority cases to keep licensees accountable for misconduct. Looking forward, we are continuing with our plans to more closely supervise insurance distribution channels, including Managing General Agencies.

# Pensions



**CAROLINE BLOUIN**

Executive Vice President,  
Pensions

Our mandate to promote good administration of pension plans, and protect and safeguard the pension benefits and rights of pension plan beneficiaries is the continued focus for FSRA's pension team. Our [guiding principles](#) launched in January 2020, guide the exercise of our regulatory authority within the context of the pension sector's complex legal and regulatory framework. It outlines how we work, collaborate and engage with our sector partners and our stakeholders.

One of our first acts as a regulator was the rollout of [Administrative Monetary Penalties \(AMPs\)](#) in August 2019. Given that this was a change in regulatory strategy, FSRA adopted a measured and principles-based approach to phase in this change, working closely with plan sponsors to bring their plans into compliance when necessary.

Another key achievement over the last year was the launch of our [new supervisory approach to single-employer defined benefit \(DB\) pension plans that are actively monitored](#). This approach was developed in collaboration with one of our [Ad-Hoc Technical Advisory Committee](#). The resulting Guidance outlines the predictive and preventative tools and supervisory methods to be used by FSRA to improve outcomes for beneficiaries of Ontario-registered single employer DB pension plans where there may be a concern with the security of the pension benefits promised to plan beneficiaries.

These "actively monitored" pension plans will be subject to enhanced supervision and engagement by FSRA's Relationship Management and Prudential Supervision team. As part of our goal to become an effective prudential regulator, FSRA is developing tools, resources and supervisory approaches to assess pension plan risks and the sustainability of a pension plan, including the financial stability of the plan sponsor.

As part of its engagement, FSRA will consider the extent to which the plan administrator's decisions with respect to its pension plan reflect appropriate consideration of the applicable standard of care. As a prudential regulator, FSRA will assess pension plan risks and the sustainability of a pension plan in relation to the financial stability of the plan sponsor.

FSRA also commenced a review of Multi-Employer Pension Plans to identify and share best practices. This work advanced significantly, and will continue in the current fiscal year.

Since FSRA's inception, we have launched four ad-hoc [Technical Advisory Committees](#) and four [Standing Advisory Committees](#) to provide advice, input and feedback to FSRA management on matters that the sector told us was a key priority to reduce burden and improve regulatory effectiveness. Building diverse stakeholder relationships and reflecting their perspectives in our decision-making is key to the work that we do. We have focused on ensuring member and retiree representation on our Technical Advisory Committees and we have recently launched our [Retiree Advisory Panel](#) to act as an additional advisory body to FSRA and to ensure that we keep the voice of Ontario's retirees and plan beneficiaries central in our decision-making.

We issued the [Pension Sector Emergency Management Response Guidance](#) based on input received by the sector and plan members on the challenges brought on by the pandemic. This Guidance assists plan administrators in their ongoing administration and other pension-related obligations during this disruption, while not losing sight of the need to protect and safeguard benefits and rights of plan beneficiaries.

Additionally, to further protect the entitlements of all pension plan beneficiaries, we also issued guidance, [Limitations on Commuted Value Transfers and Annuity Purchases \(DB Pension Plans\)](#), on the process to resume commuted value transfers or annuity purchases when a pension plan's transfer ratio has declined since the most recently filed valuation report by 10% and is now below 0.9.

As we move forward to a new operating year, FSRA's Pensions team is looking forward to continuing our work with the sector and plan members to promote good administration of plans and protect the entitlements of plan beneficiaries.