

FSRA

Financial Services Regulatory
Authority of Ontario



Ontario

Proposed Fiscal Year Statement of Priorities

2025-2026

Table of contents

Overview.....	4
Environmental scan.....	7
Strategic Framework.....	11
Strategic priorities.....	13
1. Strengthen stakeholder relations and improve consumer-focused outcomes.....	16
2. Enhance licensing efficiency and effectiveness.....	17
3. Modernize systems and processes.....	18
4. Property & Casualty and Auto Insurance Priorities.....	20
4.1 Implement key reforms for the regulation of auto insurance rates and underwriting.....	20
4.2 Support reforms of the auto insurance system.....	21
4.3 Support the fair treatment of property and casualty insurance consumers.....	22
5. Ontario-incorporated Insurance Companies and Reciprocal (Insurers) Priorities.....	23
5.1 Increase resilience, stability and public confidence.....	23
5.2 Enhance FSRA’s regulatory framework.....	24
6. Credit Union Priorities.....	25
6.1 Increase resilience, stability, and promote confidence.....	25
6.2 Enhance FSRA’s regulatory framework.....	26
6.3 Enhance financial stability structures.....	27
7. Life and Health Insurance Priorities.....	28
7.1 Strengthen the market conduct regulation and supervision of intermediaries, including Managing General Agents (“MGAs”).....	28
7.2 Strengthen protection of consumers who invest in segregated fund contracts.....	29
8. Mortgage Brokering Priorities.....	30
8.1 Modernize sector requirements to protect mortgage brokering consumers.....	30

9. Pension Priorities.....	31
9.1 Enhance prudential supervision of the pension sector.....	31
9.2 Advance regulatory excellence and improve plan member outcomes.....	32
10. Financial Planner / Financial Advisor Priorities.....	33
10.1 Ensure the effectiveness of the title protection framework for Financial Planners / Financial Advisors.....	33
Financial outlook.....	34
FSRA financial plan.....	34
Cost projection.....	36
Strategic resource requests.....	38
Sector fee assessments.....	39
Appendix 1: Financial assumptions.....	41
Appendix 2: Sector allocation methodology highlights.....	42

Overview

The Financial Services Regulatory Authority of Ontario (“FSRA”) is pleased to present its proposed 2025-26 fiscal year (“FY”) priorities and associated financial plan. The intention of this document is to generate feedback from stakeholders through public consultation.

FSRA protects Ontario consumers¹, credit union members, pension plan beneficiaries, investors, and other key stakeholders. It provides prudential and market conduct regulation and supervision in the following sectors:

- Property & casualty and auto insurance
- Life and health insurance
- Credit unions and caisses populaires²
- Loan and trust companies
- Mortgage brokering
- Health service providers (related to auto insurance)
- Pension plans
- Financial planners and advisors

FSRA is an independent regulatory agency that is principles-based and outcomes-focused. FSRA was created to improve consumer and pension plan beneficiary outcomes in Ontario.

¹ For the purposes of this document, the term ‘consumers’ includes the public, credit union members, pension plan beneficiaries, investors, borrowers, and other key stakeholders. It also includes insurance customers and potential customers. A ‘customer’ refers to an insurance policyholder, which may include a certificate holder, or prospective policyholders with whom an insurer or intermediary interacts, and includes, where relevant, other beneficiaries and claimants with a legitimate interest in the policy.

² The term “credit unions” also includes caisses populaires throughout this document, unless otherwise noted.

FSRA's focus

In 2021-22, FSRA developed and implemented its [Strategic Framework](#) (“Strategic Framework”), which reflects FSRA’s legislative objectives and encompasses the organization’s [Vision, Mission, and Values](#). FSRA is using the Strategic Framework to achieve its statutory **objects** as defined in the *Financial Services Regulatory Authority of Ontario Act, 2016* (“FSRA Act”). FSRA’s objects are to:

- Regulate and generally supervise the regulated sectors;
- Contribute to public confidence in the regulated sectors;
- Monitor and evaluate developments and trends in the regulated sectors;
- Cooperate and collaborate with other regulators, where appropriate;
- Promote public education and knowledge about the regulated sectors;
- Promote transparency and disclosure of information by the regulated sectors;
- Deter deceptive or fraudulent conduct, practices and activities by the regulated sectors; and
- Carry out such other subjects as may be prescribed.

FSRA's objects with respect to **financial services sectors** are to:

- Promote high standards of business conduct;
- Promote the rights and interests of consumers; and
- Foster strong, sustainable, competitive, and innovative financial services sectors.

For **pension plans**, additional objects are to:

- Promote good administration of pension plans; and
- Protect and safeguard the pension benefits and rights of pension plan beneficiaries.

For **credit unions**, additional objects are to:

- Provide insurance against the loss of part or all of deposits with credit unions;
- Promote and otherwise contribute to the stability of the credit union sector in Ontario, with due regard to the need to allow credit unions to compete effectively, while taking reasonable risks; and
- Pursue the objects set out as defined in the FSRA Act for the benefit of persons having deposits with credit unions and in such manner as will minimize the exposure of the Deposit Insurance Reserve Fund to loss.

FSRA's objects with respect to the *Financial Professionals Title Protection Act, 2019* are to administer and enforce that Act.

Environmental scan

FSRA regulates dynamic markets that are affected by several socio-economic factors and global events. An essential component of FSRA's strategy to achieve success as a regulator, and a part of its mandate, is to monitor and evaluate developments and trends in its regulated sectors.

Economic trends

The Canadian and global economy narrowly avoided a recession over the past two years. Although the overall economic outlook has improved since FSRA's 2024-25 Statement of Priorities, concerns regarding economic uncertainty and the potential impacts on consumers remain.

Macro highlights to note:

- Cost of living and overall affordability continues to be a significant issue facing Ontarian and Canadian consumers. According to Statistics Canada, the Consumer Price Index ("CPI") has declined throughout 2024. In June 2024, the CPI rose 2.7% on a year-over-year basis, down from a height of 8.1% in June 2022³. Although the price of durable goods continues to decline, key consumer goods like groceries continue to increase. Statistics Canada reports that prices for food from stores increased 21.9% between June 2021 and June 2024⁴.
- Despite recent reductions, interest rates remain much higher than they were prior to the Bank of Canada ("BoC") rate increases that took place between March 2022 and July 2023. According to the Canada Mortgage and Housing Corporation's 2024 Mortgage Consumer Survey, mortgage consumers were negatively impacted by higher interest rates. 65% of mortgage consumers reported they were impacted by rising interest rates, while 13% of buyers reported that interest rates had caused them to delay buying a home⁵. In its 2024 Article IV Consultation, the International Monetary

³ <https://www150.statcan.gc.ca/n1/daily-quotidien/240716/cq-a001-eng.htm>

⁴ <https://www150.statcan.gc.ca/n1/daily-quotidien/240716/dq240716a-eng.htm?indid=3665-1&indgeo=0>

⁵ <https://www.cmhc-schl.gc.ca/blog/2024/-/media/1b29e28201c54c6f8e9b9e4056cc6d4f.ashx>

Fund ("IMF") reported that housing affordability had reached the "worst levels in a generation, with housing supply unable to fully meet growing demand."⁶

- According to the BoC, the global economy grew by approximately 3% in Q1 of 2024, in line with expectations. However, the Canadian economy expanded more slowly than anticipated at 1.7%. The BoC cut its policy interest rate again by 0.25%, to 4.55% in July 2024, its second consecutive policy rate cut.⁷ According to the International Monetary Fund's ("IMF") Article IV Consultation, real Gross Domestic Product ("GDP") growth in Canada is expected to increase gradually throughout 2024, and inflation will continue to decline to 2% by early 2025⁸.
- According to Statistics Canada, the unemployment rate has steadily increased in 2024, with a rate of 6.4% in June. Long-term unemployment has also been increasing, with 17.6% reporting continuous unemployment for longer than 27 weeks in June 2024, up 4.0 percentage points year-over-year⁹.

Technological advancement and innovation

Already in a state of technological transformation, the Ontarian, Canadian, and global economies have undergone significant change in the past two years.

The use of Artificial Intelligence ("AI"), particularly generative AI, has expanded greatly over the past two years, since the expansion of new tools such as ChatGPT. Financial service entities are exploring how AI can increase their efficiencies through back-end operations and better assist consumers through tools such as chatbots. Potential uses in the sectors FSRA regulates include using AI to provide financial information such as quotes for financial products. In FSRA's 2022 Consumer Research on Financial Advice, about 15% of

⁶ <https://www.imf.org/en/News/Articles/2024/07/16/pr24276-canada-imf-exec-board-concludes-2024-art-iv-consult>

⁷ <https://www.bankofcanada.ca/core-functions/monetary-policy/key-interest-rate/>

⁸ <https://www.imf.org/-/media/Files/Publications/CR/2024/English/1CANEA2024001.ashx>

⁹ <https://www150.statcan.gc.ca/n1/daily-quotidien/240705/dq240705a-eng.htm?indid=3587-1&indgeo=0>

respondents indicated that they had received financial information from financial technology tools, and FSRA expects this trend to continue to grow in the future¹⁰.

FSRA's regulated entities have increased the overall use of technology in their internal operations and consumer-facing processes/products. Using technology fosters innovation by enabling new solutions, improving efficiency, and creating opportunities for transformative advancements. While innovation can bring more choice and convenience to consumers, it also comes with certain risks. FSRA's [Innovation Framework](#) sets clear expectations and guiding principles to help innovators bring products to market in a sustainable, responsible and accessible way.

Monitored issues and trends

In addition to new macroeconomic and technologic trends, there are a growing number of areas which FSRA monitors to inform its approach to regulating and supervising its regulated sectors.

Monitored issues and trends include:

- **Fraud** – The financial sectors are often targeted by fraudsters attempting to take advantage of consumers and companies, as large amounts of money are involved in the purchase of financial products and services. Fraud is a growing risk in the financial sectors, as the same new technologies that can be used by companies to increase efficiencies can also be used by bad actors to take advantage of consumers, especially vulnerable ones.
- **IT Risk** – IT Risk, especially cyber security, continues to heighten as the use of technology increases, as evidenced by numerous high-profile incidents which can disrupt financial services across the world. FSRA, through supervision, is monitoring how our regulated sectors are managing IT Risk and responding to material IT incidents.

¹⁰ <https://www.fsrao.ca/media/23871/download>

- **Natural catastrophes** – Natural catastrophes continue to grow in frequency and overall severity. Natural catastrophes, and the risks associated with climate change, either directly or indirectly affect every sector that FSRA regulates. This includes the overall resiliency of financial service entities, their ability to provide essential products and services, and the risks that may result for consumers who access those products and services.
- **Third-Parties** – Regulated entities have long used third-parties to provide essential services and drive operational efficiencies. As the financial sector becomes more digitized, this reliance on third-parties has likewise increased through the use of software-as-a-service products. The increased use of third-parties increases the overall operational risks for FSRA’s regulated entities and may result in poor or unfair consumer outcomes.
- **Vulnerable consumers** – Research findings, such as FSRA’s 2022 Consumer Survey, have shown that in all of FSRA’s regulated sectors, vulnerable groups tend to be less trusting, less satisfied, and less confident. FSRA’s supervisory work has also provided evidence that vulnerable consumers experience poorer outcomes, are at greater risk of being susceptible to harm (such as fraud) and may experience more issues with product accessibility and suitability. To address these issues, FSRA has developed and consulted on an 'Approach to Strengthening Protection of Vulnerable Consumers'. FSRA’s proposed approach is focused on closing the gap between the experiences of vulnerable consumers and non-vulnerable consumers in the sectors it regulates.

Strategic Framework



In 2021-2022, FSRA launched its Strategic Framework, which consists of four Pillars that articulate high-level strategic objectives. The Framework reflects FSRA's legislative objects and encompasses the organization's Vision, Mission, and Values. FSRA's 2025-26 Statement of Priorities supports the Pillars.

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.

Strategic priorities

Proposed 2025-26+ priorities



Cross-Sectoral

1. Strengthen stakeholder relations and improve consumer-focused outcomes
2. Enhance licensing efficiency and effectiveness
3. Modernize systems and processes



Property & Casualty and Auto Insurance

4

- 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



Ontario-incorporated Insurance Companies and Reciprocals (Insurers)

5

- 5.1 Increase resilience, stability and public confidence
- 5.2 Enhance FSRA's Regulatory Framework



Credit Unions

6

- 6.1 Increase resilience, stability, and promote confidence
- 6.2 Enhance FSRA's Regulatory Framework
- 6.3 Enhance financial stability structures



Life & Health Insurance

7

- 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



Mortgage Brokering

8

- 8.1 Modernize sector requirements to protect mortgage brokering consumers



Pensions

9

- 9.1 Enhance prudential supervision of the pension sector
- 9.2 Advance regulatory excellence and improve plan member outcomes



Financial Planners & Advisors

10

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



Cross-Sectoral

1. Strengthen stakeholder relations and improve consumer-focused outcomes

Overview

FSRA regulates and supervises a wide range of sectors in Ontario. Those sectors provide services and products that Ontarians use on a day-to-day basis and in some of the most important parts of their lives. In order to effectively carry out its mandate, FSRA will improve relationships with its stakeholders, with an emphasis on improving outcomes for consumers.¹¹ This includes understanding and advancing the voice of consumers, enabling innovation in FSRA's regulated sectors, and ensuring FSRA is accessible, supportive and responsive to stakeholders.

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.

¹¹ FSRA's mandate distinguishes between protecting the rights and interests of consumers in financial services sectors and protecting and safeguarding the pension benefits and rights of pension plan beneficiaries in respect of pension plans.

Key activities to achieve outcomes

- a. Provide excellent customer 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.

2. Enhance licensing efficiency and effectiveness

Overview

FSRA's role with respect to licensing is to ensure individuals and businesses meet the qualifications for a licence, are suitable to be licensed, and comply with all ongoing licensing requirements. Effective screening of applicants and licensees for licensing suitability helps protect consumers.

Providing strong licensing services to stakeholders is important to FSRA. There are plans underway for a new licensing system at FSRA. In the meantime, FSRA continues to operate using its legacy systems, which require a high volume of manual processes. A process review was completed to identify opportunities for increased efficiency using current systems. FSRA will implement process changes to address the recommendations from the review and mitigate service impacts to stakeholders in the insurance, mortgage brokering and health service provider sectors.

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.

3. Modernize systems and processes

Overview

FSRA is continuing to modernize processes and systems. This commitment will enable FSRA to operate as a high-performing regulator by developing and enabling processes that promote evidence-based and risk-based decisions. FSRA is following a multi-year roadmap (the "roadmap") for its technology and information systems to support its core regulatory activities and procedures. The roadmap incorporates both sector-specific business priorities and enterprise-wide technology requirements. It also creates a flexible and adaptable business operating model, supported by streamlined workflows and operational processes and system improvements. The program that replaces the legacy applications has

experienced delays and will extend beyond the original completion date. The delays have contributed to cost overruns. To ensure the ongoing viability of the program and maintain a focus on costs and efficiencies, options are being developed to ensure that a viable system is created, allowing FSRA to achieve its desired outcomes. A new delivery date is currently being evaluated.

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 ML 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, minimize cost overruns and increase efficiencies.



Property & Casualty and Auto Insurance Priorities

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

Overview

FSRA has undertaken a multi-year effort to reform the regulation of auto insurance rates and underwriting. FSRA will continue to plan and implement these key reforms, including the introduction of a new supervisory model.

Outcomes we are seeking

- Fair treatment of consumers and the promotion of a more competitive and sustainable market.
- Transformation to a principles-based, consumer outcomes-focused supervisory model.
- Consumers are empowered to make more informed decisions.

Key activities to achieve outcomes

- a. Finalize Auto Insurance Rating and Underwriting Supervision Guidance.
- b. Implement a new principles-based, consumer-outcomes focused auto insurance rate

and underwriting supervisory model.

- c. Improve transparency and disclosure for consumers to increase awareness and product knowledge and support informed decision-making, with an emphasis on high insurer accountability for achieving these outcomes.

4.2 Support reforms of the auto insurance system

Overview

FSRA is continuing to support the government’s initiatives to reform the auto insurance product, in addition to providing expert advice to inform government decisions.

Outcomes we are seeking

- More choices for consumers to design auto insurance coverage to best suit their needs.
- Ensure that consumers injured in auto accidents receive the care they need and that the health service provider (“HSP”) framework and the Health Claims for Auto Insurance (“HCAI”) system are more modern and efficient.
- Improved ability to quantify, assess and better detect auto insurance fraud.

Key activities to achieve outcomes

- a. Implement government-led and FSRA-led auto reform initiatives, including recommendations resulting from FSRA’s review of HSP guidelines and frameworks.
- b. Subject to approval by the Minister of Finance, issue the Fraud Reporting Rule and Guidance and initiate development of Fraud Reporting Service.

4.3 Support the fair treatment of property and casualty insurance consumers

Overview

FSRA continues to monitor and supervise the Property & Casualty (“P&C”) insurance sector to encourage high standards of conduct in the interest of building public confidence and consumer protection.

Outcomes we are seeking

- Protect consumers through efficient and effective supervision of the P&C insurance sector.

Key activities to achieve outcomes

- a. Complete the implementation of a market conduct supervisory framework for P&C insurance that will better enable FSRA to identify and address priority areas for supervision.



Ontario-incorporated Insurance Companies and Reciprocal (Insurers) Priorities

5.1 Increase resilience, stability and public confidence

Overview

FSRA is continuing to transform its supervisory approach and satisfy its statutory objects through implementation of the Risk Based Supervisory Framework for Ontario-incorporated Insurance Companies and Reciprocal (“RBSF-I”). This framework sets out practices for integrated market conduct and prudential supervision. The initiatives set out below, combined with the continued implementation of the RBSF-I, will guide FSRA in its assessment and supervision of the Insurers while continuing to build prudential and market conduct supervisory integration, capacity and capability.

FSRA is also taking the initiative to modernize data collection and analysis systems to better analyze, manage and monitor risks as part of FSRA’s existing supervision activities. Enhanced data collection will promote sector resilience, enhance sector stability, and improve FSRA’s ability to efficiently provide effective regulatory oversight.

Outcomes we are seeking

- A well-governed and strong sector.
- Resilience of Insurers and reduction in the likelihood of their failure.
- Continued consumer protection and public confidence in the sector.

Key activities to achieve outcomes

- a. Complete and maintain accurate and consistent risk profile assessments of the Insurers.
- b. Enhance stakeholder awareness by continuing to improve their understanding of FSRA's supervisory approach and regulatory requirements.
- c. Develop a data framework to enhance monitoring of the Insurers.

5.2 Enhance FSRA's regulatory framework

Overview

FSRA is committed to enhancing the regulatory framework for the Ontario-incorporated Insurance Companies and Reciprocal sector using rules and guidance. FSRA has developed a multiyear work plan for rules and guidance for these Insurers and will continue to work with key stakeholders in a collaborative and transparent manner to implement the initiatives identified in this multi-year work plan. These actions will promote high standards of business conduct, stability and confidence in the sector.

Outcomes we are seeking

- A stable and resilient sector.
- Protection for policyholders and consumers.
- Confidence in the sector.

Key activities to achieve outcomes

- a. Consult on and issue Own Risk and Solvency Assessment ("ORSA") guidance.
- b. Commence review of reinsurance requirements and guidance.



Credit Union Priorities

6

6.1 Increase resilience, stability, and promote confidence

Overview

In order to remain an effective regulator, FSRA is continuing to advance its integrated, comprehensive and continuous supervisory approach under the Risk Based Supervisory Framework for Credit Unions (“RBSF-CU”) and modernizing data systems to better analyze, manage and monitor risks.

FSRA will use evidence identified from its continuous supervisory activities to enhance its approach and methodology to improve the accuracy and consistency of Credit Union risk profile assessments. This will promote sector resilience, better protect depositors, enhance sector stability, and improve regulatory efficiency.

Outcomes we are seeking

- A resilient and well-governed sector.
- Credit Union resilience and reduction in the likelihood of their failure.
- Strong protection of members and their deposits and continued public confidence in the sector.
- Effective supervisory interactions with the Credit Union sector, which leverages the benefits of Principles-Based Regulation (“PBR”) and Risk-Based Supervision.

Key activities to achieve outcomes

- a. Improve the quality and availability of Credit Union data through the Enhanced Data

Collection (“EDC”) initiative.

- b. Develop and implement AI-powered supervisory tools to analyze information to enhance the efficiency of continuous supervision.
- c. Further integrate supervisory and regulatory approval functions to formalize the consideration of longer-term credit union and sectoral risks in approval decisions.

6.2 Enhance FSRA’s regulatory framework

Overview

FSRA is continuing to enhance the regulatory framework for Ontario Credit Unions by developing rules and guidance that promote high standards of business conduct, sector stability, confidence in the sector, and the protection of Credit Union depositors, members and consumers.

FSRA continues to work with the Ministry of Finance and key stakeholders in a transparent and collaborative manner following its multi-year work plan to address areas of emerging risks and ensure that it remains current and enhances the regulatory framework as warranted.

Outcomes we are seeking

- Stability and resilience of the sector.
- Alignment of Credit Union capital and risk.
- Protection of Credit Union members’ rights and their deposits.

Key activities to achieve outcomes

- a. Continue the review of FSRA’s capital adequacy requirements framework.

- b. Continue the review of FSRA's liquidity adequacy requirements framework.
- c. Subject to approval by the Minister of Finance, issue the Unclaimed Deposits Rule and Guidance, and operationalize the Unclaimed Deposits framework.

6.3 Enhance financial stability structures

Overview

FSRA is continuing to promote a stable and resilient Credit Union sector through enhanced financial stability structures such as the Deposit Insurance Reserve Fund ("DIRF"), a robust resolution regime, and enabling access to emergency liquidity. These structures ensure members' deposits are protected, particularly during stress events, and sector stability is promoted.

Outcomes we are seeking

- Minimize exposure of the DIRF to loss.
- Strong depositor protection and sector stability.
- Confidence in Credit Unions.

Key activities to achieve outcomes

- a. Work with the Ministry of Finance towards improving Credit Unions' access to adequate emergency funding during idiosyncratic and systemic stress to reduce the likelihood of disruptions in Credit Union operations and services to members.
- b. Improve the quality and availability of data through EDC and enhanced modelling and analytics to support the accurate assessment of DIRF adequacy.



Life and Health Insurance Priorities

7

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

Overview

FSRA is strengthening the regulatory framework to address potential consumer risks and regulatory gaps within independent distribution channels such as MGAs.

To increase consumer protection, FSRA will focus on developing a rule corresponding to the regulatory framework, dependent on legislation being approved, that holds intermediaries in the Life & Health (“L&H”) insurance sector to the same standard of business conduct, and clarifies the obligations of insurers, MGAs and sales agents.

FSRA will continue to monitor and supervise the L&H insurance sector to promote high standards of conduct in the interest of building public confidence and enhancing consumer protection.

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.

7.2 Strengthen protection of consumers who invest in segregated fund contracts

Overview

FSRA continues to enhance regulatory standards for segregated fund contracts. These standards will help ensure agents give customers suitable advice and the information they need to understand the contracts in which they invest, including what they pay to invest.

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 trained 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.



Mortgage Brokering Priorities

8

8.1 Modernize sector requirements to protect mortgage brokering consumers

Overview

FSRA is committed to supporting the government in its review of the *Mortgage Brokerages, Lenders and Administrators Act, 2006* (“MBLAA”). This review will help ensure regulatory requirements address sector trends (e.g., expanded role of mortgage administrators, increased private lending, greater reliance on digital technologies and reduced administrative burden).

FSRA will continue to monitor and supervise the mortgage brokering sector to promote high standards of conduct in the interest of building public confidence and consumer protection.

Outcomes we are seeking

- Consumers receive suitable recommendations for mortgages/investments in mortgages based on their needs and circumstances.
- Clear regulatory accountability of brokerages for consumer outcomes (e.g., related to product suitability, use of team names).

Key activities to achieve outcomes

- a. Support the government in its review of the MBLAA.
- b. Finalize guidance for the use of team names in public relations materials.



Pension Priorities

9

9.1 Enhance prudential supervision of the pension sector

Overview

Building on the work it has undertaken over the past few years, FSRA will continue to implement effective supervision for regulated pension plans. Enhanced prudential supervision is key to support the mitigation of risks to the sector and to ensure that plan members are adequately protected.

Outcomes we are seeking

- Identify and help proactively mitigate potential risks to the pension sector.
- Reduce possible harm for plan members.
- Maintain public confidence in the pension sector.

Key activities to achieve outcomes

- a. Continue the prudential supervision of large public sector pension plans (“LPSPPs”).
- b. Implement the supervisory approach of multi-employer pension plans (“MEPPs”).
- c. Support the implementation of the new Target Benefits framework, including the conversion process.

9.2 Advance regulatory excellence and improve plan member outcomes

Overview

FSRA has made a multi-year commitment to achieving regulatory excellence in the pension sector. Its vision for regulatory excellence requires a commitment to the transformation of FSRA's day-to-day supervision, operations, examinations and reviews to be risk-based and principles-based.

Outcomes we are seeking

- Pension plan sponsors and administrators are further educated and empowered to use their own principles-based judgement to ensure compliance.
- Enhanced confidence in FSRA to protect plan members.

Key activities to achieve outcomes

- a. Advance a risk-based and principles-based approach to the regulation and supervision of pension plans.
- b. Refresh and modernize key pieces of guidance and pension forms.
- c. Enhance public education and knowledge of the pension sector.



Financial Planner / Financial Advisor Priorities

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

Overview

The Financial Professionals Title Protection Framework (“FPTPF”) promotes confidence and professionalism in the sector by ensuring that individuals using the Financial Planner (“FP”) and Financial Advisor (“FA”) titles are appropriately qualified by meeting minimum standards.

To ensure the effectiveness of the title protection framework, FSRA will focus on a robust oversight program that holds credentialing bodies, and by extension credential holders, to a high standard of professionalism and accountability.

Outcomes we are seeking

- Consumers are protected through effective oversight of credentialing bodies and individuals misusing the FP and FA titles.

Key activities to achieve outcomes

- a. Conclude framework evaluation and identify future actions.
- b. Continue to build on FSRA’s supervision activities to effectively monitor and supervise credentialing bodies’ operations.

Financial outlook

FSRA financial plan

FSRA is proposing a \$122.6 million financial plan for FY2025-26. This plan reflects the estimated resources required to fulfill FSRA's regulatory mandate and continue the transformation into a principles-based, independent, and transparent regulator through its priorities and operating activities.

The draft financial plan below presents the forecasted financial activities for the fiscal year from April 1, 2025, to March 31, 2026. Subject to revisions based on stakeholders' feedback, it will form the basis of FSRA's proposed FY2025-28 Annual Business Plan. See the appendices for assumptions and methodologies on which the budget is based.

Total revenue will increase 2.2% year over year compared to the FY2024-25 Budget. The proposed variable fee assessment is 3.5% higher than prior year and \$0.7 million or 0.8% lower than FY2025-26 Plan in the FY2024-27 ABP.

Activity and Licensing fees are expected to be 1.3% lower due to an anticipated decrease in renewal and emerging applications primarily in the HSP and Life and Health sectors. Mortgage Broker License Fees are projected to increase by 0.2% from FY2024-25.

Year over year budget comparison				
(\$M)	FY2025-2026 Proposed Plan	FY2024-2025 Budget	Variance vs. Last Year Budget	
			(\$)	(%)
Revenue:				
Activity and Licensing Fees ¹	30.0	30.4	(0.4)	-1.3%
Variable Fee Assessment ²	86.6	83.7	2.9	3.5%
Total Revenue	116.6	114.1	2.5	2.2%
Direct Costs				
Direct Costs	83.5	83.5	-	0.0%
Common Costs				
Common Costs	39.1	42.6	(3.5)	-8.2%
Total Costs	122.6	126.1	(3.5)	-2.8%
Utilization of Cumulative Surplus	6.0	12.0		

Notes:

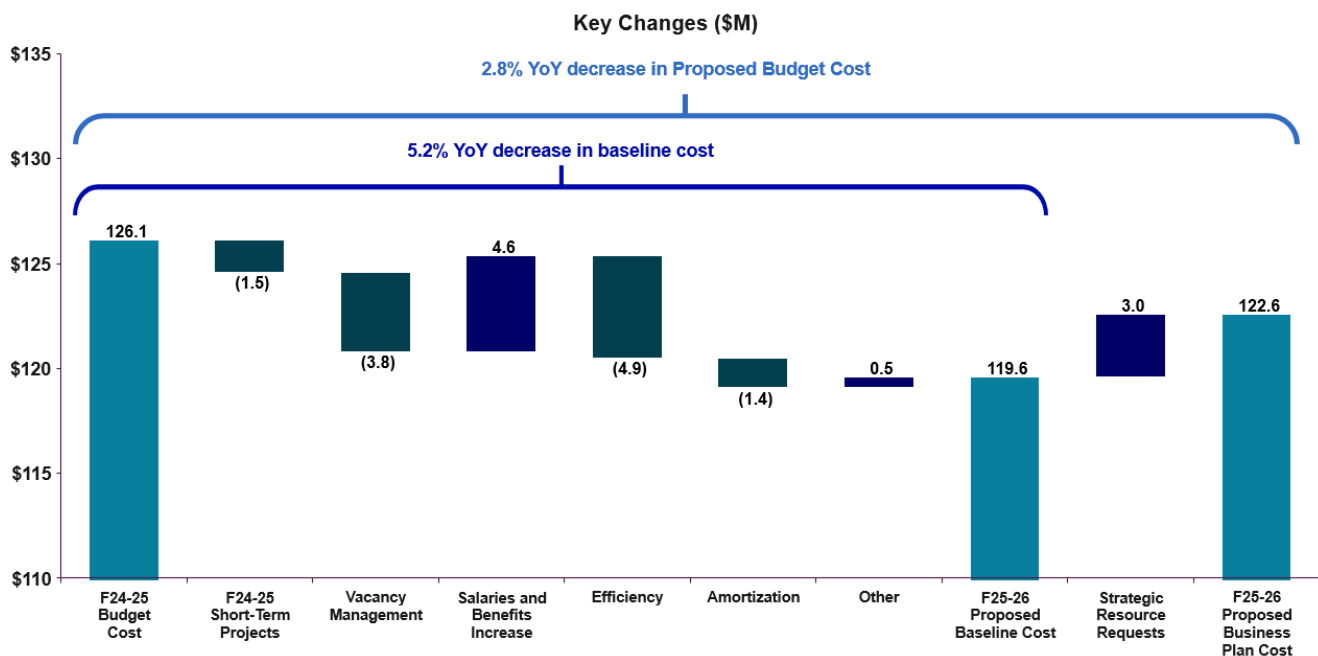
1. Includes HSP, Mortgage Brokers, Life & Health, P&C Conduct, and FPFA Activity and Licensing Fees
2. Includes all variable sector revenue and HSP under/(over) recovery

Over the course of the last five years, FSRA accumulated a significant surplus due to lower-than-expected costs during the Pandemic. The surplus was applied every year starting in FY2020-21 against the costs to help ease industry’s recovery from the Pandemic adding up to \$30.3M through FY2024-25. As a result, the increases in the Variable Assessment component of the Revenue have lagged the increase in costs. As industry recovers, and the surplus funds are being depleted, the proposed increases in Variable Assessment are accelerating to match the increases in costs. In FY2025-26, it is proposed to use \$6.0M of the surplus, compared to \$12.0M in the previous year.

Cost projection

The proposed total cost for FY2025-26 is \$122.6 million. This is a 2.8% decrease from the FY2024-25 budget and 4.4% lower than the FY2025-26 plan in the FY2024-27 ABP.

The chart below demonstrates the projected costs compared to the FY2024-25 budget.



Adjustment to the baseline for FY2024-25 short term projects totaling \$1.5 million that were initiated in FY2024-25 and are expected to be completed within the same fiscal year. These projects are not anticipated to have any impact on FY2025-26 operations.

FSRA has identified \$3.8 million in cost savings through strategic vacancy management. This will leverage natural employee turnover by not immediately filling all vacant positions, but instead prioritizing critical roles and redistributing responsibilities where feasible. By leveraging existing talent and optimizing our workforce structure, FSRA will maintain operational efficiency while achieving significant cost reductions.

Salaries and benefits are projected to increase by \$4.6 million, primarily driven by the mandatory collective bargaining agreements. This increase reflects a higher Across-The-Board (“ATB”) assumption for the unionized workforce compared to the previous year. For detailed ATB assumptions, please refer to Appendix 1.

FSRA conducted a review of its operations and identified efficiencies across multiple areas, resulting in an anticipated savings of \$4.9 million. These efficiencies are focused on optimizing resource utilization, reducing costs, and enhancing operational effectiveness, without compromising core business functions.

Overall, amortization decreased by \$1.4 million. This reduction is attributed to several factors: lower capital asset amortization in FY2025-2026, the completion of amortization of the Workday pre-launch costs in FY2024-2025, and delays in the *FSRAForward* project. *FSRAForward* overruns contributed an additional \$2.4 million in FY2025-26 project costs and \$5.0 million for FY2026-27. The total in-year investment for *FSRAForward* in FY2025-26 is \$7.3 million, of which \$5.9 million, classified as non-GAAP, will be deferred and amortized over a five-year period. In FY2026-27, *FSRAForward* amortization is expected to peak at \$7.0 million and will gradually decrease in the following years.

The increase of \$0.5 million in the Other category is primarily due to a decrease in interest and investment income, coupled with an increase in facilities costs. The projected operating cash balance is expected to generate \$5.0 million in interest and investment income, representing a decrease of \$0.3 million, or 6.1%, compared to FY2024-25.

Strategic resource requests

FSRA anticipates investing \$3.0 million in new initiatives to advance its statutory objectives, including protecting the rights and interests of consumers, supporting and enabling innovation, improving regulatory oversight through greater access to data and analytics tools across all sectors, and enhancing regulatory effectiveness. More specifically, in each sector, the new initiatives would allow FSRA to deliver the following:

- Strengthen stakeholder relations and improve consumer-focused outcomes (Priority 1)
- Enhance licensing efficiency & effectiveness (Priority 2)
- Modernize systems and processes (Priority 3)
- Implement key reforms for the regulation of auto insurance rates and underwriting (Priority 4.1)
- Support reforms of the auto insurance system (Priority 4.2)
- Support the fair treatment of property and casualty insurance consumers (Priority 4.3)
- Increase resilience, stability and public confidence in the P&C Prudential sector (Priority 5.1)
- Increase resilience, stability, and promote consumer confidence in the Credit Unions sector (Priority 6.1)
- Enhance FSRA's Regulatory Framework in the Credit Unions sector (Priority 6.2)
- Strengthen the market conduct regulation and supervision of intermediaries, including Managing General Agents ("MGAs") (Priority 7.1)

Sector fee assessments

FSRA proposes total sector revenue of \$116.6M with a net increase of 2.2% or \$2.5 million over the FY2024-25 budget. The variable sectors fee assessment component of these total revenues increases by 3.5% after accounting for the anticipated increase in revenues for fixed fee and activity fees and by applying a \$6.0 million of cumulative surplus to offset the variable sector fee increases.

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)						
FY2025-2026 Proposed Revenue												
Activity and Licensing Fees	-	3.5	1.2	-	7.0	-	-	-	18.2	-	0.1	30.0
Fees Assessment	16.4	-	9.8	3.7	9.5	1.5	24.8	19.3	-	0.8	0.8	86.6
FY2025-2026 Proposed Revenue	16.4	3.5	11.1	3.7	16.5	1.5	24.8	19.3	18.2	0.8	0.9	116.6
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
FY2025-2026 Proposed Cost	17.3	-	11.7	3.9	17.0	1.4	26.2	20.4	19.3	0.8	0.9	122.6
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

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)						
FY2024-2025 Revenue												
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
FY2024-2025 Revenue	15.9	3.5	10.6	3.7	16.6	-	25.1	19.0	18.1	0.8	0.9	114.1
Fee Assessment Variance	0.6	-	0.5	0.0	0.2	1.5	(0.3)	0.3	-	0.0	0.0	2.9
Increase/(Decrease)	3.5%		5.0%	0.6%	2.4%		-1.0%	1.8%		2.5%	3.2%	3.5%
Total Revenue Variance	0.6	(0.0)	0.4	0.0	(0.1)	1.5	(0.3)	0.3	0.0	0.0	0.0	2.5
Increase/(Decrease)	3.5%	-1.2%	4.0%	0.6%	-0.6%		-1.0%	1.8%	0.2%	2.5%	2.8%	2.2%
FY2024-2025 Cost												
Cost Variance	(0.6)	(0.0)	(0.3)	(0.2)	(0.8)	1.4	(2.1)	(1.0)	0.2	(0.0)	(0.0)	(3.5)
Increase/(Decrease)	-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 included as 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.

FSRA is considering further reviewing and enhancing the fee structure in certain sectors to ensure self-reliance of the individual sectors.

The proposed business plan is presented at a high level. Management is developing a detailed budget for FY2025-26, which will include specific spending and benefits of new initiatives and revenue impacts on individual sectors. This will be included in the upcoming Annual Business Plan.

Appendix 1: Financial assumptions

- Comparable figures are based on the April 1, 2024 – March 31, 2025, budget approved by the FSRA Board and used to charge FY2024-2025 fee assessments.
- The financial information for FY2025-2026 SOP is a high-level projection. The detailed budget will be published in the FY2025-2028 Annual Business Plan.
- Technology operating investments made during the year are recovered over five years from the sectors rather than expensed in the year paid, to better align costs and benefits.
- FSRA regulates Health Service Providers as part of its Auto Insurance regulatory activities. Any revenue under recovery/overage from Health Service Providers is charged/credited to the variable fee assessment for Auto Insurance Product sector.
- Life & Health Conduct for Life and Health insurance agents is a fixed fee sub-sector. Any cost overage/underage will be charged to life insurers as a variable sub-sector.
- 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.
- Any over- or under-contribution in the Mortgage Brokers sector will be proportionately applied to other sectors.
- FSRA will recover expenses for its review of Co-op offering statements.
- FSRA and the Union are currently engaged in collective bargaining negotiations. Our Across-the-Board (“ATB”) assumption is based on the existing Ontario Public Service (“OPS”) Collective Agreement.

Appendix 2: Sector allocation methodology highlights

Direct Cost Allocation: Includes Auto Insurance Products, Pension, Credit Union and Insurance Prudential, Market Conduct, Legal, Policy, Public Affairs and Lease.

- Pension, Credit Union and Insurance Prudential, and Auto Insurance Product Division costs: allocated 100% to their respective sectors (with minor exceptions, i.e., the designated team within Credit Union Insurance Prudential is allocated to the P&C Prudential Regulation sector).
- Market Conduct and Policy Divisions: based on dedicated full-time equivalents (“FTEs”) to specific sectors. FTEs that are not dedicated to specific sectors are allocated based on Market Conduct and Policy direct allocation rates.
- Legal Division: Allocation based on anticipated use of service considering FTEs allocated to each sector and historical activity.
- Public Affairs: Allocation is determined by the anticipated use of service, considering the number of FTEs assigned to each sector as well as past activity. The allocation of operating expenses is based on projections for their respective sectors. FTEs and operating expenses that aren't dedicated to specific sectors are distributed according to Public Affairs' direct allocation rates.
- Lease costs: Allocated based on the number of FTEs.

Common Cost Allocation: Includes CEO Office, Corporate Services (which included IT non-specific project costs), Interest, Amortization

- FSRA allocates common costs to sectors proportionately based on individual sector's direct cost. E.g., if Auto Insurance Product's direct costs represent 15% of overall direct costs of \$68.0M, then its share of \$52.5 million total common costs would be \$7.8 million (or 15%).

FSRA

Financial Services Regulatory
Authority of Ontario



Ontario

Financial Services Regulatory Authority of Ontario

25 Sheppard Avenue West
Suite 100
Toronto, ON
M2N 6S6

Telephone: 416-250-7250
Toll Free: 1-800-668-0128
Email: contactcentre@fsrao.ca
fsrao.ca