

CONSUMER ADVISORY PANEL

July 8, 2024

Delivered electronically

Financial Services Regulatory Authority of Ontario
25 Sheppard Ave W, Suite 100
Toronto, ON
M2N 6S6

Re: FSRA Proposed Rule 2024-007 Total Cost Reporting

The Consumer Advisory Panel (CAP) appreciates the opportunity to provide feedback on Proposed Rule 2024-007 concerning Total Cost Reporting for Individual Variable Insurance Contracts (IVICs).

We fully support FSRA's goal of increasing transparency and protecting consumers in the IVIC market. We consider the proposed rule's emphasis on clear cost disclosure, standardized reporting, and improved communication as a significant step toward helping consumers make more informed investment choices.

To further strengthen the proposed rule's effectiveness, we have provided a number of recommendations for your consideration:

1. Ensuring Clarity and Accessibility

We strongly urge FSRA to prioritize using plain language and simple formats for all consumer-facing materials addressed in this proposed rule. This includes annual statements, marketing materials, and any supporting documents.

To ensure accessibility for a broad audience, we recommend that these materials adhere to the following standards:

- **Reading Level:** A Flesch-Kincaid Grade Level of 8 or below, indicating the text is easily understood by the average adult.
- **Math Level:** Calculations and concepts should not exceed a Grade 4 math level, ensuring consumers with basic math skills can understand the financial implications.

To achieve this, we recommend that FSRA:

- Conduct user testing with diverse groups, including those with varying financial literacy levels, to assess the clarity and comprehensibility of disclosure documents.
- Consult with communication and design experts to develop user-friendly materials.

- Use visual aids such as charts, graphs, and infographics wherever possible to simplify complex information.

2. Addressing Legacy Systems and Small Accounts

We acknowledge the challenges in modernizing older systems and the potential costs associated with updating small accounts. However, it's important that *all* consumers benefit from increased transparency.

We recommend that FSRA consider:

- A phased-in approach for older systems, requiring gradual improvements in reporting over a reasonable timeframe.
- Tiered disclosures based on account size and system limitations, with clear notification explaining the nature and extent of the information that is not being provided to the consumer.

3. Comprehensive Fee Disclosure

To provide a complete picture of costs, the rule should explicitly require disclosure of *all* fees and compensation, including bonuses, commissions, and any other incentives paid to agents. Comprehensive transparency is vital for consumers to fully understand the costs and agent incentives associated with an IVIC investment proposal.

4. Robust Consumer Awareness and Outreach

The rule's success depends on consumers understanding the enhanced information. We recommend FSRA partner with consumer groups, financial literacy organizations, and industry stakeholders to develop a multi-pronged education campaign. This campaign should raise awareness, explain key terms in plain language, and empower consumers to make informed decisions about their IVIC investments.

Conclusion

The Consumer Advisory Panel strongly supports FSRA's efforts to enhance transparency and consumer protection in the IVIC market. By prioritizing clear communication, addressing legacy system challenges, ensuring comprehensive fee disclosure, and investing in consumer awareness, CAP believes that FSRA can create a more transparent and consumer-centric landscape for IVIC's in Ontario.

Sincerely,

Consumer Advisory Panel (CAP) Financial Services Regulatory Authority of Ontario