



2025 Auto supervision interim report

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Executive summary

The Financial Services Regulatory Authority of Ontario (FSRA) protects the interests of over ten million Ontarians who rely on automobile insurance. To fulfill this mandate FSRA regulates insurers to ensure they uphold high standards of conduct in support of fair treatment of consumers, while operating with transparency and accountability.

In December 2023, FSRA released its first [Auto Insurance Supervision Plan](#), outlining conduct-focused supervision priorities for auto insurers. Guided by this risk-based plan, FSRA conducted on-site reviews between January 2024 and March 2025, examining five insurers. Each examination resulted in recommendations and formal commitments from insurers to implement corrective actions aligned with the Canadian Council of Insurance Regulators' (CCIR) Approach: Fair Treatment of Consumers in Insurance.

The examinations identified two broad areas for improvement observed across multiple insurers:

- **Monitoring controls** – Limited oversight of the quality of information provided to customers during sales through brokers; gaps in data, analysis, and exception reporting to support underwriting interventions; and inconsistent collection and review of data on insurer-initiated cancellations and non-renewals.
- **Documentation** – Incomplete records supporting changes to underwriting rules; insufficient evidence of required disclosures and written consent when referring claimants to preferred provider networks; and failure to issue final position letters for certain complaints referred to the Ombudsperson.

These findings highlight the need for stronger controls, enhanced documentation, and improved oversight to ensure fair consumer outcomes and compliance with regulatory requirements. FSRA will conduct additional insurer examinations and take action, as needed. Insurers are expected to review these observations and update business practices to ensure they meet both regulatory obligations and the expectations for fair treatment of Ontario auto insurance consumers.

Background and process

FSRA's on-site examinations were conducted between January 2024 and March 2025, guided by the Automobile Insurance Supervision Plan which prioritized areas that posed the greatest potential for consumer harm. These focus areas were selected to assess how insurers are upholding conduct obligations across key stages of the insurance lifecycle. The following areas were examined:

1. **Sales and distribution** – While sales and distribution involve a range of activities, the Plan identified two focus areas:
 - **Product development** – Legislation requires insurers to apply only FSRA approved underwriting rules when determining eligibility for coverage. Examinations assessed whether insurers had appropriate controls to ensure that only approved rules were used to refuse quotes, decline coverage, or cancel policies.
 - **Disclosure to customers** – Fair customer treatment requires that insurers and intermediaries provide customers with information at the point-of-sale to make informed decisions before entering a contract. FSRA examined whether insurers had effective processes across distribution channels to ensure customers were provided with key information such as premium amounts, policy benefits, contract duration, limitations, conflicts, exclusions and customer rights and obligations.
2. **Underwriting** – Insurers use manual or automated processes to assess applications and determine coverage eligibility based on information submitted through standard applications. Where eligibility criteria are met, coverage is offered, otherwise, applications may be declined. FSRA focused on automated underwriting environments, particularly instances where applications that met filed eligibility criteria were referred for manual review.

3. **Policy servicing** - Insurers and intermediaries are required to service policies throughout their lifecycle until all contractual obligations are fulfilled. This includes the following:

- **Policy changes** – Insurer/intermediaries or customer-initiated changes such as cancellations, renewals, endorsements or adjustments in coverage. FSRA placed particular emphasis on insurer-initiated cancellations and non-renewals.
- **Claims** – FSRA assessed whether insurers had implemented fair and transparent claims handling processes from the initial accident report to resolution, ensuring that claimants were treated fairly throughout the process.
- **Complaints** – Insurers are required to implement and communicate complaint handling protocols. Given that denied or disputed claims are common sources of complaints, FSRA evaluated the processes implemented by insurers to support timely and fair complaint handling.
- **Privacy/protection of customer information** – Insurers and intermediaries are required to have policies and procedures in place to safeguard customer data. Examinations focused on the protocols insurers use to ensure the proper collection, use and storage of personal information.

Process

The examination program is built on a supervisory approach designed to ensure fair, transparent, and consistent application of regulatory expectations across all insurers. This approach defines the scope for evaluating key areas of insurer operations and serves as the foundation for assessing whether insurers are meeting core regulatory requirements and supporting sound market conduct outcomes.

A risk-based scoping assessment was conducted for each insurer to tailor the examination to its specific risk profile. This involved analyzing market data, consumer complaints, and prior supervisory insights to focus on areas with the greatest potential consumer harm and align with the priorities set out in the Plan.

Each examination followed a standardized methodology to assess compliance with applicable legislation, regulatory guidance, and Fair Treatment of Customers (FTC) principles. Assessments were carried out through a combination of document reviews and interviews with insurers' representatives to evaluate the effectiveness of internal processes.

Findings and opportunities for improvement were discussed with insurers' management followed by a written report outlining observations and recommendations to address gaps and enhance compliance practices. Insurers submitted written responses to FSRA detailing their planned corrective actions and implementation timelines where applicable.

Results of supervisory examinations

The following summarizes findings from examinations conducted between January 1, 2024, and March 31, 2025, involving five insurers.

1. Sales and distribution

- **Product development** – The examinations found that most insurers had documented processes to include testing protocols to support the rules change process. One insurer differed in its approach, and while there was no evidence of incorrect rules programmed in its systems, FSRA made recommendations to improve the underwriting rules change process by:
 - i. Formally documenting policies, procedures, and workflows to support continuity and reduce risk of process failure should there be changes to existing process owners.
 - ii. Implementing an audit trail to evidence approvals, testing outcomes and communications of changes whenever underwriting rules are modified.

- **Disclosure to customers** – Insurers distributing automobile insurance through direct channels and through agents had procedures in place to evaluate the quality of information exchanged with applicants. However, insurers had limited visibility into the information shared during quoting and binding for those using brokers. Reasons cited ranged from a reliance on brokers' regulatory obligations to competing internal resource priorities.

Without proper oversight, insurers cannot confirm whether customers were sufficiently informed about their products. Monitoring broker activities relating to disclosures is essential to detect and prevent potentially misleading or unfair practices.

2. Underwriting

All five insurers have automated underwriting processes embedded in proprietary and third-party quoting and underwriting systems. Examinations found no evidence of policy denials for reasons other than those filed with FSRA. However, two instances were identified where manual steps were added for some risks:

- **Underwriting overrides** – Underwriters with designated authority could override automated decisions. Although individual overrides were logged, there were no systems in place to consolidate or analyze trends such as reasons or frequency which could inform process improvements or future rules changes.
- **Referral rules** – Certain risks were flagged for manual review before binding despite meeting eligibility criteria. While these referrals did not result in automatic declines, they introduced processing delays that could affect the consumer experience. There was insufficient data to evaluate referral volume, abandonment rates post-referral or associated time delays and the potential consumer impacts.

3. Policy servicing

- **Policy changes** – Insurers met legislative requirements by issuing notices with appropriate reasons for cancellations and non-renewals. However, they did not consistently track the volume of such insurer-initiated actions, limiting their ability to analyze trends or detect anomalies.
- **Claims** – Claims handling practices varied among insurers when involving the use of in-house adjusters, third-party adjusters and healthcare Preferred Provider Networks (PPNs). While processes were generally documented and communicated to relevant stakeholders, two transparency issues were noted:
 - i. Insurers using PPNs lacked controls to ensure claimants received disclosures required by O. Reg. 34/10 s. 46 (2) and signed consent forms before treatment. As a result, there was no documentation retained to demonstrate compliance.
 - ii. Insurers that outsourced accident benefits claims adjusting did not inform claimants that they would be contacted by third-party adjusters. While there was no evidence of unfair treatment, providing this information upfront supports the spirit of transparency.
- **Complaints** – Insurers had similar complaint handling procedures including intake logging, triage, escalation, and reporting. Complaints escalated to the Ombudsperson were addressed formally in writing. Insurers also tracked service standards, communicated procedures and kept complainants informed on the status of their complaints.

However, some insurers did not issue final position letters for complaints referred to the Ombudsperson, particularly when they believed the issue had been resolved to the complainant's satisfaction. Regardless of the outcome or resolution, issuing a final position letter is crucial as it formalizes the conclusion of the complaint process, provides clarity to the complainant, and ensures that the insurer has communicated all relevant information and decisions

transparently. This written conclusion also informs customers of their right to escalate the matter further if they find the resolution unsatisfactory.

- **Privacy/protection of customer information** – All insurers had established clear policies and procedures governing the collection, use and storage of personal information for both policyholders and claimants. These practices were consistently documented and aligned with applicable privacy requirements.

Next steps

FSRA's supervisory work to date has highlighted meaningful opportunities for insurers to strengthen internal processes, improve documentation, and enhance oversight practices that directly affect consumer outcomes. A well-designed and consistently applied compliance program remains essential for supporting fair treatment, mitigating conduct risk, and maintaining trust in Ontario's auto insurance sector.

The examinations identified two broad areas for improvement observed across multiple insurers.

1. Monitoring controls

- **Disclosure to customers** – Insurers demonstrated limited visibility into the quality of information exchanged with customers during the quoting and binding process particularly when using brokers. This includes completeness, accuracy, and clarity of product details shared at the point of sale. While brokers are independently licensed, insurers remain responsible for ensuring that their distribution partners uphold service standards that support fair consumer outcomes.
- **Underwriting** – There was a lack of information, analysis and exception reporting to support manual underwriting interventions in automated underwriting processes. Although such interventions are not, in themselves, non-compliant, they introduce risks such as unnecessary delays that could lead consumers to seek coverage elsewhere. FSRA continues to monitor

these practices to ensure a balance between business flexibility and consumer fairness.

- **Policy changes** – Insurers did not consistently collect or analyze data on insurer-initiated cancellations and non-renewal. Access to such data is essential for identifying trends, detecting anomalies and evaluating potential consumer impact.

2. Documentation

- **Product development** – Documentation to support changes to underwriting rules was incomplete or lacking, particularly in areas such as audit trails, approvals and workflow continuity.
- **Claims** – Insurers referring claimants to PPNs often lacked documentation showing that required disclosures were made and that written consent was obtained as required by regulation.
- **Complaints** – Insurers did not issue final position letters in all instances where complaints are referred to the Ombudsperson.

Next steps

FSRA acknowledges and appreciates the constructive engagement of insurers throughout the examination process. The industry's willingness to collaborate and to respond to supervisory recommendations is a positive step toward greater accountability and enhanced consumer confidence in the sector. Based on the observations to date, further action is needed to ensure fair treatment of consumers. Specifically:

- FSRA expects insurers to review the areas for improvement detailed in this report and update their business practices, as needed, to ensure compliance with regulatory requirements and expectations.
- FSRA has extended the Plan through March 31, 2026, and will conduct additional insurer examinations and take associated actions, as needed.

- FSRA will release a final report upon completion of the additional insurer examinations under the extended Plan.

Given the collaborative nature of the examinations to-date, FSRA is confident in the industry's commitment to improving business practices in support of regulatory compliance and the fair treatment of consumers. The outcomes of FSRA's work will strengthen regulatory insight and inform future supervision priorities.