

Point of Sale Test and Learn (TLE) Environment Application Details

The Financial Services Regulatory Authority of Ontario's (FSRA) Point of Sale Test and Learn Environment ("Point of Sale TLE") aims to offer consumers more convenience and choice by testing new distribution models for purchasing auto insurance at the point of vehicle sale.

The Point of Sale TLE provides a staging ground to allow for experimentation with tailored safeguards and parameters to ensure consumer protection. Throughout the test, real-time insights and feedback will be provided to FSRA to help validate the approach and provide insights to the Government of Ontario.

During the testing period, FSRA will seek to understand:

- Are the models providing greater convenience for consumers when purchasing auto insurance?
- Are the models inadvertently creating adverse risks for consumers? Are the mitigations put in place to address these risks effective?

For more information about FSRA's TLEs, please refer to the [Innovation Office's webpage](#).

Scope and eligibility

The Point of Sale TLE seeks to test new distribution models for purchasing auto insurance at the point of vehicle sale. Section 231 of the *Insurance Act* prohibits the sale of auto insurance at a vehicle dealership. Aside from the section 231 prohibition, all applicable aspects of the *Insurance Act*, its regulations and FSRA rules would continue to apply (e.g. auto insurance products must be sold by a licensed agent or broker).¹

Who should apply?

FSRA will accept proposals from different business types (e.g., insurance agency/brokerage, insurer, car dealership, or Original Equipment Manufacturers).

Applicants must be licensed and in good standing with their applicable regulator (FSRA, Ontario Motor Vehicle Industry Council (OMVIC), or Registered Insurance Brokers of Ontario (RIBO)). In addition, applicants should demonstrate sufficient expertise to implement the proposed model, including relevant experience² and the capacity to deliver on the proposal.

Application process

Overview

To apply to the Point of Sale TLE, interested parties should jointly submit an application to FSRA to request an exemption from s. 231 of the *Insurance Act*.

¹ FSRA is open to considering other delivery models for offering automobile insurance at the time of purchasing vehicles. These proposals may be subject to different expectations and conditions than are outlined in this document.

² The applicant should describe all relevant experience and expertise to support the proposal, including retail, insurance, and sales expertise, as well as profiles of all participants in key roles for the proposed model.

Legal framework

FSRA³ has the ability to, within the parameters set by s. 15.1(1) of the *Insurance Act* and O. Reg. 704/21, grant exemptions. Approved applications would be issued an exemption order from s. 231 of the *Insurance Act*, and FSRA may make the exemption order subject to conditions.

With respect to the Point of Sale TLE, FSRA could grant successful proposals a two-year exemption from section 231 of the *Insurance Act*. There is the potential to renew this exemption for one additional two-year period.⁴ Besides s. 231 of the *Insurance Act*, all other applicable aspects of the *Insurance Act*, its regulations and FSRA rules would continue to apply throughout the test.

Application information

Interested parties are encouraged to meet with FSRA in advance of submitting an application to provide an overview of their proposal so FSRA can provide early feedback and considerations.

Applications should contain all information which is necessary and sufficient to demonstrate:

- ✓ consumer protection measures
- ✓ transparency and disclosure measures
- ✓ accountability and controls for managing conflicts of interest and ensuring professional conduct

³ Pursuant to and within the framework established by s. 15.1(1) of the *Insurance Act* and O. Reg. 704/21, the Chief Executive Officer (“CEO”) of FSRA is provided the authority to grant exemptions. However, for the purposes of this document, the reference will be to FSRA granting the exemption rather than the CEO.

⁴ See paragraph (1) of s. 2 of O. Reg. 704/21.

- ✓ how they will comply with all applicable regulatory requirements (e.g., around shared offices, confidentiality, protection of privacy, prohibition on tied selling), as well as restrictions under the *Motor Vehicle Dealers Act* and O. Reg 333/08
 - FSRA recommends that interested parties contact OMVIC and/or RIBO to understand and ensure compliance with any related requirements

Applicants may be asked to provide business and personal information as part of the application process. FSRA may also collect additional business and personal information from third parties, including regulators with whom the Applicants are registered or licensed. Any personal information will be handled by FSRA in accordance with the *Freedom of Information and Protection of Privacy Act*, 1990.

FSRA considers an application complete if it includes the following:

Description of Proposed Model

- Applicants to provide specific details of all aspects of the proposed distribution model, including:
 - Identification of all participants involved in the model, their roles and their licensing status
 - Consumer journey which clearly identifies the roles, licensing, governance, accountability and control structures, including reference to:
 - The different stages of a consumer purchasing insurance at the point of vehicle sale
 - Who the consumer is interacting with
 - When and how the insurance sales process occurs in relation to the vehicle sales process
 - Compensation arrangements that would be established between participants
 - Consumer inquiries and complaints processes
 - Post-purchase interactions, including insurance renewals and claims service
 - Compliance with applicable legislation

Risk Management Plan

- Applicants should identify consumer and operational risks related to the proposed distribution model and describe mitigation strategies that will be put in place, if the model is approved.
- At a minimum, applications should consider the following in their risk management plans
 - Applicants' plan for monitoring the effectiveness of the distribution model (i.e., is it achieving its intended objectives).
 - Details regarding how the proposed distribution model complies with applicable legal requirements, including but not limited to:
 - [Unfair or Deceptive Acts or Practices \(UDAP\) Rule](#)
 - [Insurance Act, Reg. 664: Automobile Insurance](#) (e.g., including the prohibition against use of credit)
 - Other applicable statutory or regulatory requirements (e.g., obtaining necessary exemptions from RIBO or registration with OMVIC)

Data and Reporting

- Applicants should describe the processes, governance, or related infrastructure that will be put in place to ensure effective monitoring of the proposed model and ongoing adherence with all relevant legal and regulatory requirements.
- Applicants should propose key performance indicators (KPIs) and associated metrics to assess the proposed model.
 - As part of the exemption order, TLE participants will need to collect and report data to FSRA at regular intervals throughout the duration of the testing period to enable FSRA to track and evaluate the outcomes and performance of the test.
 - Key performance indicators, metrics, reporting frequency, and other elements related to data and reporting will be defined in advance of the test.
 - As part of the exemption order participants will need to share additional information as requested by FSRA, as well as by OMVIC and/or RIBO (as necessary)
 - Data variables identified will be aligned to measure TLE outcomes (i.e., consumer uptake of new distribution model, and adverse risks to consumers are effectively mitigated).

Measurement and monitoring

FSRA is committed to working with applicants to support the development of their application or draft proposal to align with expectations for the Point of Sale TLE.

FSRA will consider whether granting an exemption is not prejudicial to the public interest (e.g., in this instance, FSRA may consider factors such as whether the proposal supports consumer convenience and choice and/or whether it provides appropriate consumer protection). If FSRA rejects the proposal, applicants may engage with FSRA to review any gaps in their application.

After an application is approved, FSRA will work with successful participants to develop a testing agreement and exemption order to finalize test details and enable the test to proceed. The testing agreement would include those actively participating in the business arrangement.

FSRA may retain the ability to adjust or halt projects if adverse or unintended impacts are experienced and the testing agreement may include an off-ramp process for consumers and test participants to facilitate this.

Additional requirements may be imposed by FSRA in the testing agreement, and these may include, but are not limited to:

- Information and reporting conditions
- Conditions to enhance consumer protection
- Any amendments to policy forms and applications which may be required to ensure transparency and appropriate disclosure for consumers
- Data control measures

- Copies and summaries of legal agreements, including agreements between the parties and agreements with the consumer that are not part of a standard auto policy

Approved participants may also be required to complete a mandatory review of legal and regulatory obligations.

FSRA will publish the names of approved Point of Sale TLE participants on its website.

If FSRA rejects the proposal, applicants may engage with FSRA to review any gaps in their application and may reapply with a modified proposal.

Consumer disclosure

Participating insurance agents and brokers will be expected to disclose specific information to the consumer through a developed disclosure form. FSRA expects the disclosure document will, at a minimum, include the following information:

- Statement that consumers are not required to get a quote or buy insurance from the distributor selling auto insurance at the dealership
- Awareness of short-rate cancellation policy
- Information about commission rates/incentives/payments to the broker or dealership related to the auto insurance transaction
- Awareness of participation in the test by purchasing insurance in an auto dealership
- Test information (e.g., purpose of test, duration, desired outcomes)
- Alternative plans regarding coverage if the test ends

- Contact details for more information, to provide feedback, and to lodge a complaint
- Reference to FSRA's Point of Sale TLE page

Additional information may be added to the disclosure document based on the unique features of your distribution model. FSRA may determine where in the consumer journey the form needs to be shared with the consumer.

Measurement

A successful TLE project would meet the following outcomes and will be assessed using identified key performance indicators (KPIs), with metrics which could include:

Outcome	KPI	Metric
<p>Consumer uptake of new distribution model (i.e., improved consumer convenience when purchasing auto insurance)</p>	<ul style="list-style-type: none"> • High number of interactions between distributors and consumers (e.g., agent/ broker reporting) • High number of quotes/ policies bound (e.g., agent/ broker reporting) • Consumers reported positive/ convenient experience and felt an improvement on the existing products/ services (e.g., consumer survey reporting) • Consumers are able to switch between competitive alternatives without significant barriers (e.g., consumer survey reporting) 	<ul style="list-style-type: none"> • # of quotes offered • # of quotes accepted • # of consumers who switched policies or purchased insurance for first time

<p>Adverse risks to consumers are effectively mitigated</p> <p>(i.e., conflict of interests and other risks are effectively mitigated)</p>	<ul style="list-style-type: none"> • Consumers reported satisfaction while purchasing insurance, and were explained the insurance product adequately to fit their needs (e.g., consumer survey reporting) • Complaints were reported and addressed within a reasonable timeframe (e.g., complaints reporting) 	<ul style="list-style-type: none"> • Consumer survey responses to questions related to purchasing experience • Review of complaints rates and themes related to TLE or to participants of TLE
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Applicants will be asked to identify additional KPIs and associated metrics that are specific to their proposed model.

Submitting an application to FSRA’s Point of Sale TLE

Interested parties should reach out to FSRA for information on how to apply, including to request an application: PointofSaleTLE@fsrao.ca.