

FSRA scorecard

June 2021

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Executive summary

This year marks the end of the Financial Services Regulatory Authority's (FSRA or "the Authority") first full year of operations. FSRA once again had an ambitious agenda. We continued to advance the objectives we identified as a new agency – regulatory efficiency and effectiveness – as well as implement forward-looking, transformative priorities.

The arrival of COVID-19 at the end of last fiscal disrupted our operations and those of FSRA's regulated sectors. It also affected the public, credit union members, pension plan beneficiaries, investors, consumers, and other stakeholders. Our employees have continued to work from home and provide support and stability to our regulated sectors. In addition, we continued to adjust regulatory measures enacted at the outset of the pandemic. This included: extending and/or waiving deadlines for certain regulatory filings and licence renewals; issuing guidance to protect and enhance the fair treatment of consumers; and deferring non-critical reviews and consultations.

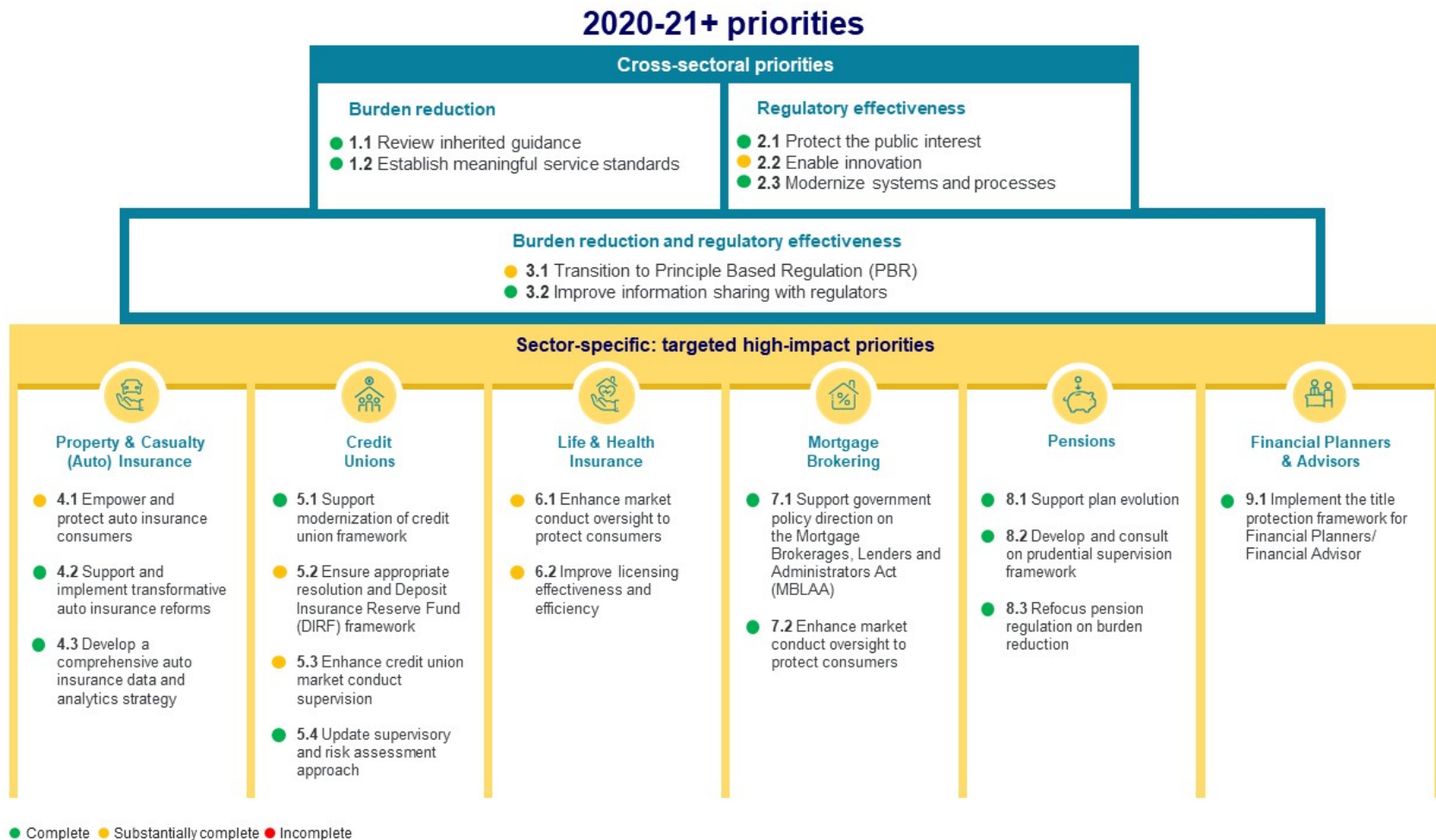
The 2020-2023 Annual Business Plan (ABP) formed the basis of this year's "business-as-usual" objectives and activities. The ABP included 7 cross-sectoral and 15 sector-specific priorities. These focused on improving safety, fairness, and choice for consumers through principles-based and outcomes-focused regulation. The priorities were aligned with FSRA's mandate, mission and strategic directions.

Despite the challenges posed by the pandemic, FSRA achieved significant success in the year. The Authority delivered against all its planned priorities. Notable achievements for the year included:



- Convening our first Residents' Reference Panel on Automotive Insurance in Ontario. It aimed to provide advice on how to make the Ontario auto insurance system clearer, easier to understand and more transparent for consumers.
- Developing the Financial Professionals Title Protection Rule (FPTP Rule) and supporting guidance. The proposed rule outlines the parameters for implementing the financial planners and financial advisors (FP/FA) title protection framework.
- Issuing several pieces of pension guidance in response to key issues identified by the sector.
- Publishing a new set of service standard principles and accompanying standards. These support FSRA's commitment to transparency and efficiency.
- Reviewing 30% of remaining guidance inherited from legacy regulators. This supports FSRA's burden reduction objectives.

To achieve its objectives, FSRA continued to consult publicly and engage the Stakeholder Advisory Committees (SACs), Technical Advisory Committees (TACs) and Consumer Advisory Panel (CAP). This included discussions around priorities and emerging issues of importance, such as FSRA’s COVID-19 response plans.

FSRA has developed a scorecard illustrating the results of our performance against the 22 Annual Business Plan priorities, and summarizing the objectives to be achieved.



1.0 Burden reduction

Priority (Status as at Mar. 31, 2021)	Objectives
 1.1 Review inherited guidance	Multi-year priority, key activities planned and completed in 2020-2021 include: <ul style="list-style-type: none">• Complete review of and develop a plan for posting all guidance for each sector.
 1.2 Establish meaningful service standards	<ul style="list-style-type: none">• Reflect service standards in employee/function performance targets.• Reflect standards across FSRA.

2.0 Regulatory effectiveness

Priority (Status as at Mar. 31, 2021)	Objectives
 2.1 Protect the public interest	Multi-year priority, key activities planned and completed in 2020-2021 include: <ul style="list-style-type: none">• Research/compile current consumer issues.

- Launch new website with clear/easily accessible consumer information.
- Develop and publish consumer profiles on sector-specific issues.
- Conduct consumer research (as identified by panel, e.g. consumer disclosures).

2.2
Enable
innovation

Multi-year priority, key activities planned for this year completed, completion of objectives on track:

- Analyze regulatory changes required to support innovation.
- Develop and execute outreach plan to identify new product/services.
- Participate in Global Innovation Pilot(s).
- Implement new product/service delivery (by sector).

2.3
Modernize
systems and
processes

Multi-year priority, key activities planned and completed in 2020-2021 include:

- Procure enabling technology platform including CRM, case management system, enterprise content management system and data analytics tools.
- Continue roll out of user-centric website.
- Digitize or archive existing paper-based documents.
- Hire vendors to provide system integration and change management services.
- Develop foundational, enterprise-wide components and capabilities in preparation for sector-specific implementations.

- Enable data analytics for each regulated sector, to empower FSRA policy and supervisory activities.

3.0 Burden reduction and regulatory effectiveness

Priority (Status as at Mar. 31, 2021)	Objectives
3.1 Transition to Principles Based Regulation (PBR)	Multi-year priority, key activities planned and substantially completed in 2020-2021 include: <ul style="list-style-type: none"> • Develop principles. • Consult stakeholders on proposed principles. • Issue guidance. • Consult with sectors. • Develop supervision approach.
3.2 Improve information-sharing with regulators	<ul style="list-style-type: none"> • Conduct consultations with sharing partners. • Develop and implement strategy/approach. • Established reciprocal MOU's with Bank of Canada, Ontario Security Commission and Financial Services Authority (B.C).

4.0 Property & Casualty (Auto) Insurance sector

Priority

(Status as at
Mar. 31, 2021)

Objectives

● 4.1 Empower and protect auto insurance consumers

Multi-year priority, key activities planned and substantially completed in 2020-2021 include:

- Transform auto insurance rate and policy form/endorsement regulation to support innovative and consumer-focused business models, pricing structures and technologies.
- Improve auto insurance rating and underwriting accuracy by developing and implementing new supervisory processes, focused on advanced risk management and compliance systems within regulated entities.
- Enhance market conduct oversight, emphasizing the fair treatment of customers and focused monitoring activities in areas that may pose significant consumer harm (such as the circumvention of “Take-all-Comers” auto insurance requirements), and considering a review of existing conduct standards.
- Enhance auto insurance transparency, disclosure of information and consumer choice, by: studying consumer behaviour and expectations; assessing relevant consumer education (sources, strengths/weaknesses); improving FSRA’s public reporting; identifying opportunities for products that increase consumer understanding and assist in making informed choices; and exploring opportunities for FSRA rule-making regarding unfair or deceptive acts or practices.
- Improve licensing effectiveness and efficiency by streamlining licensing approvals for agents, adjusters and companies.
- Implement the process proposed in 2019-2020 (in consultation with stakeholders and regulators), and use it to seek consistent application of Fair Treatment of Customers guidance across Canada,

4.2
Support and implement transformative auto insurance reforms

Multi-year priority, key activities planned and completed in 2020-2021 include:

- Support reforms to create a sustainable auto insurance system that delivers value and choice for consumers.
- Support and implement any recommended changes required to overhaul health service provider licensing (subject to government direction in response to FSRA's recommendations in 2019-2020).

4.3
Develop a comprehensive auto insurance data and analytics strategy

Multi-year priority, key activities planned and completed in 2020-2021 include:

- Improve auto insurance data collection and management processes, including timeliness, quality, availability and data sharing.
- Develop new reporting and analytical tools to enable proactive regulatory monitoring and evidence-based policy decisions.
- Assess the alignment of the GISA with FSRA's new data collection and analytics framework, by reviewing key processes, roles and responsibilities and governance.
- Propose and consult with stakeholders on an implementation plan.

5.0 Credit Unions sector

Priority

(Status as at
Mar. 31, 2021)

Objectives

5.1 Support modernization of credit union framework

Multi-year priority, key activities planned and completed in 2020-2021 include:

- Continue to support MOF in developing new credit union legislation and modernizing the framework.
 - Provided support to MoF in developing regulations under the new CUCPA 2020 before proclamation in 2022.
- Develop, propose, consult on and (where practical) start implementation of FSRA rules on topics where legislative authority may be provided.
 - Consultation draft of Capital and Liquidity drafted.
 - Capital and Liquidity Rules to be issued subject to Minister's approval in 2021-22.
 - Consultation draft of Sound Business and Financial Practices Rule approved by the Board.
- Implement the Credit Union Deposit Insurance Advertising Rule that will replace the DICO bylaw #3 if approved.
- Identify and review guidance and other documents in order to implement the new rule(s).
- Propose, consult on and issue interpretation guidance and a supervisory approach for FSRA's new residential mortgage lending guidance.
 - Residential Mortgage Lending Approach Guidance and Interpretation Guidance issued.
- Identify, consult on and re-issue other existing high-priority guidance.

- Three-year plan for Guidance development approved by CCUA.

5.2
Ensure appropriate resolution and Deposit Insurance Reserve Fund (DIRF) framework

Multi-year priority, key activities planned and substantially completed in 2020-2021 include:

- Consult on and implement guidance for an enhanced resolution strategy and recovery plan framework.
- Review the DIRF's adequacy, considering liquidity and solvency/capital perspectives (e.g. stress scenarios).
- Assess and report to the Minister of Finance on DIRF adequacy.

5.3
Enhance credit union market conduct supervision

Multi-year priority, key activities planned and substantially completed in 2020-2021 include:

- Implement new enhanced market conduct supervisory activities for credit unions by proposing, consulting on, issuing and implementing a supervisory approach to support the Market Conduct Code (MCC).
- Further implement a plan for market conduct examinations on the MCC or any similar code used by the supervisory framework.
- Continue to work with credit union regulators across Canada towards national harmonization of market conduct supervisory practices.

5.4
Update
supervisory
and risk
assessment
approach

Multi-year priority, key activities planned and completed in 2020-2021 include:

Board approved objectives restated for the year:

- Conduct research and analysis for the design of the revised Risk-based Supervisory Framework (the Framework) for the Credit Union sector.
- Develop draft Risk-based Supervisory Framework documents.
- Begin targeted stakeholder consultation.
- Begin development of new internal business practices, processes, procedures and operational tools.
- Implementation of the Credit Union Risk Based Supervisory Framework will be after 2021-22.

6.0 Life & Health Insurance sector

Priority (Status as at Mar. 31, 2021)	Objectives
6.1 Enhance market conduct oversight to protect consumers	Multi-year priority, key activities planned and substantially completed in 2020-2021 include: <ul style="list-style-type: none">• Lead the exploration and potential implementation of a CISRO-harmonized industry Code of Conduct for intermediaries.• Support the Fair Treatment of Customers (FTC) principles in the Life & Health by:<ul style="list-style-type: none">➤ Conducting policy research and undertaking targeted supervisory reviews.

- Considering different distribution channels when assessing market conduct.
- Developing a proposed regulatory framework and supervisory approach for distribution channels that rely on MGAs (including assessing the MGA distribution channel to understand how insurers, agents and MGAs interact with the public during the sales process).
- Building an agent conduct team and developing a supervisory framework.
- Considering solutions for improving advisor oversight proposed by the industry-regulatory G4 task force (Canadian Life and Health Insurance Association, Canadian Association of Independent Life Brokerage Agencies, Independent Financial Brokers and Financial Advisors Association of Canada).

6.2
Improve
licensing
effectiveness
and efficiency

Multi-year priority, key activities planned and substantially completed in 2020-2021 include:

- Develop a common process for capturing and consolidating licensing statistics from the date of assignment to approval for all products.
- Create meaningful reporting and key metrics, to help ensure FSRA can deliver on service level standards, absorb future growth, and inform licensees by way of meaningful, real-time approval timelines.
- Perform a gap analysis on FSRA's current due diligence processes, legislative requirements and IM/IT systems to build efficient and effective licensing and renewal processes.
- Increase information-sharing with other regulators where possible.
- Develop criteria to publish service expectations for licence applications and implement service standards.

7.0 Mortgage Brokering sector

Priority (Status as at Mar. 31, 2021)	Objectives
<p>● 7.1 Support Government policy direction on the <i>Mortgage Brokerages, Lenders and Administrators Act, 2006</i></p>	<p>Multi-year priority, a number of key activities related to these objectives were completed in 2020-2021:</p> <ul style="list-style-type: none">● Reduce red tape for commercial mortgage transactions exemptions.● Establish new classes of licensing.● Incentivize registration for private lenders.● Raise educational standards for agents and brokers.
<p>● 7.2 Enhance market conduct oversight to protect consumers</p>	<p>Multi-year priority, key activities planned and completed in 2020-2021 include:</p> <p>Non-qualified SMIs Supervisory Approach</p> <ul style="list-style-type: none">● Support the implementation of effective oversight of the regulation of non-qualified SMIs transactions with the OSC.● Continue to refine and enhance the supervisory approach for high-risk non-qualified SMIs.● Continued supervisory oversight of legacy non-qualified SMI transactions and any SMI activities that are not transferred to the OSC.

Mortgage Brokering Sector Supervisory Approach

- Develop, document, consult and implement a robust supervisory approach for high-risk activities and products (non-SMI) that could cause consumer harm (specific activities/products may include reviews of brokerages focused on product suitability).
- Continue to work closely with the Mortgage Broker Regulators Council of Canada (MBRCC) and MOF to support increased regulatory harmonization across Canada.

8.0 Pensions sector

Priority (Status as at Mar. 31, 2021)	Objectives
8.1 Support plan evolution	<ul style="list-style-type: none">• Continue to build relationship management as a foundational skill for plan consolidation activity and complex transactions.• Establish an advisory committee to identify ways to foster a vibrant employment-based pension pillar in Ontario.• Examine why employers are moving away from providing registered pension plans.• Promote good administration of pension plans that is facilitative for employers, cost efficient and can leverage innovative practices.• Ensure that Ontario workers are well informed regarding their retirement benefits and how those benefits are protected.

8.2 Develop and consult on prudential supervision framework

- Continue to work on the PBGF's long-term financial sustainability and assist the MOF in its legislated review of the PBGF, including a financial risk assessment using stress-testing.
- Develop and implement a more appropriate return-seeking investment strategy for the PBGF, which balances benefit security, expected return and anticipated liquidity needs.
- Work collaboratively with jointly-sponsored pension plans to understand, improve and document industry-wide standards and best practices with respect to systemic and liquidity risks, use and appropriate disclosures for leverage and illiquid assets.
- Implement learnings from a targeted review of multi-employer pension plans (MEPPs) by developing, documenting, consulting on, and supervising against best practices (funding, governance and investments).
- Support MOF with its implementation of a target benefit framework by conducting research, consultation and making recommendations through the standing TAC for MEPPs.
- Begin development and documentation of risk-based supervisory approach for defined contribution plans (e.g., member behaviour and engagement, decumulation options, investments, fees, etc.).
- Continue to include retirees' perspectives in consultation, and establish a retiree stakeholder committee.

8.3 Refocus pension regulation on burden reduction

- Continue to focus resources on high-value regulatory activity and reducing unnecessary regulatory burden.
- Update the guidance framework, describing approaches, improving processes, and modernizing information management and information technology.
- Continue the work of ad hoc technical advisory committees (TACs) established in the fall of 2019:

➤ Missing members

- Asset transfer
 - Family law
- Identify opportunities to reduce regulatory burden and improve regulatory effectiveness for DC plans.
 - Continue to assess the effectiveness and efficiency of FSRA’s regulatory framework and other practices for all plan types and collaborate with MOF on regulatory improvements.
 - Publish the findings of the ad hoc TACs and, where applicable, initiate public consultations on new guidance. Commence implementing such guidance and approaches and other key changes.
 - Establish a new TAC by the end of 2020 to initiate this work.

9.0 Financial Planners & Advisors sector

Priority (Status as at Mar. 31, 2021)	Objectives
9.1 Implement the title protection framework for Financial Planners/Financial Advisors	<ul style="list-style-type: none"> • Post rules for public consultation re. the title protection framework. • Establish processes and criteria for approving credentialing bodies. • Develop and document a supervisory approach for credentialing bodies approved under the title protection framework. • Develop and document a supervising approach for action against non-credentialed FP/FA title users.

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