

FSRA scorecard

June 2021

Table of contents

1. Executive summary	3
2. Cross-sectoral priorities	4
3. Property & Casualty (Auto) Insurance	8
4. Credit Unions	11
5. Life & Health Insurance	13
6. Mortgage Brokering	15
7. Pensions	17
8. Financial Planners & Advisors	20

Executive summary

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

The arrival of COVID-19 at the end of last fiscal created a disruption to our operations and those of FSRA's regulated sectors, and affected the public, credit union members, pension plan beneficiaries, investors and other stakeholders ('consumers'). Our employees have continued to work from home and provide support and stability to our regulated sectors. In addition, we continued to oversee 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 postponing non-urgent consultations.

The Board-approved 2020-2021 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. In alignment with FSRA's mandate, mission and Strategic Framework, the priorities focused on improving safety, fairness and choice for consumers through principles-based and outcomes-focused regulation.

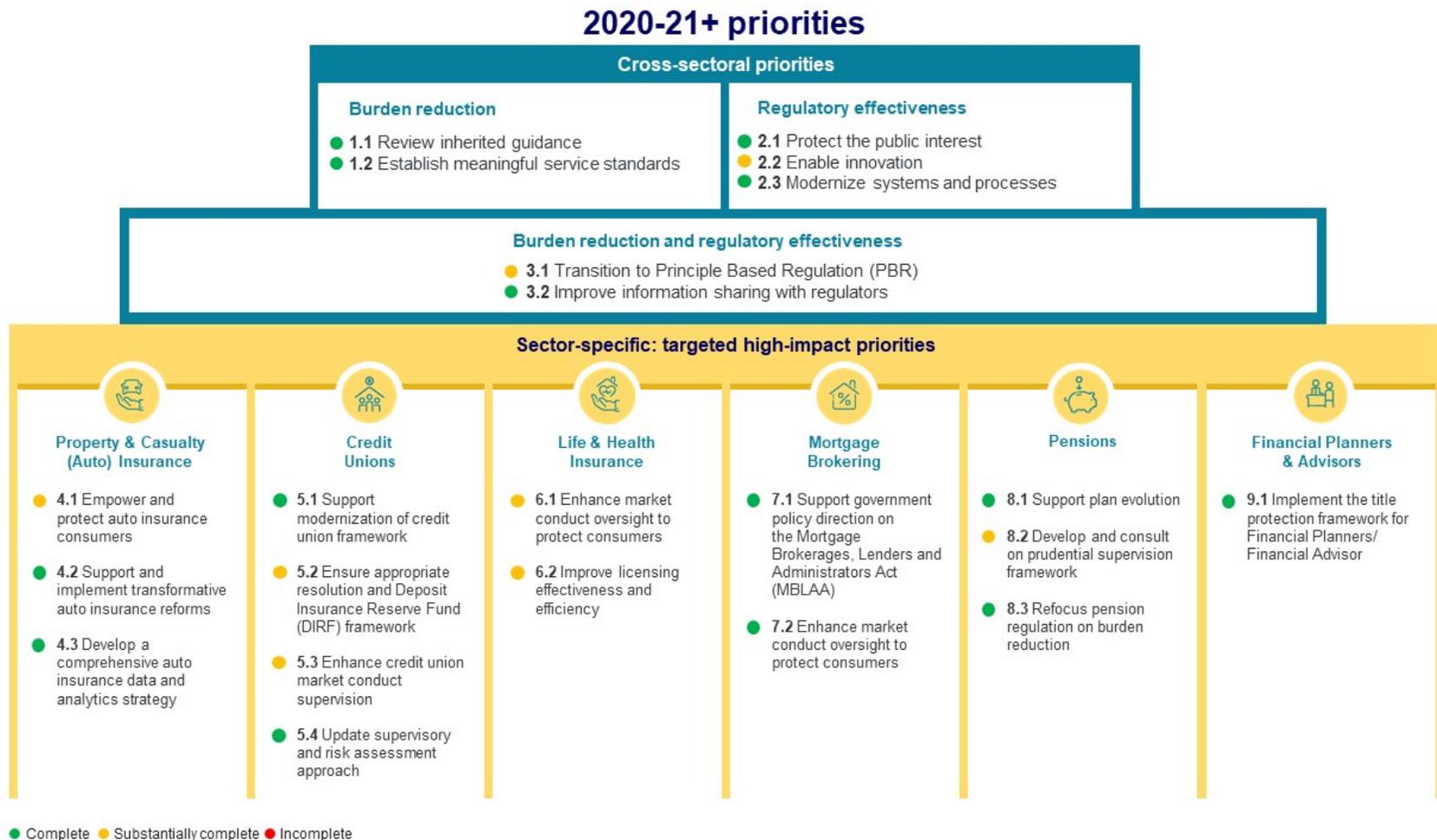
Despite the challenges posed by the pandemic, FSRA achieved significant success in the year. The Agency delivered against all its planned priorities. Notable achievements for the year included:

- Convening its first Residents' Reference Panel on Automotive Insurance in Ontario. The Panel's objective was 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). The proposed rule outlines the parameters for the implementation of 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 service standards. The standards support FSRA's commitment to transparency and efficiency.

- Reviewing 30% of remaining guidance inherited from legacy regulators. This work supports FSRA’s regulatory efficiency objectives.

To achieve its objectives, FSRA continued its commitment to consult publicly on issues of importance and to engage the Stakeholder Advisory Committees (SACs), Technical Advisory Committees (TACs) and Consumer Advisory Panel (CAP) on priorities and emerging issues, such as seeking specific advice related to FSRA’s COVID-19 response plans.

This is the second release of the FSRA scorecard, the first being [June 2020 Scorecard](#).



1.0 Burden reduction

Priority (Status as at Mar. 31, 2021)	Objectives	Comments
 1.1 Review inherited guidance	<ul style="list-style-type: none">• Complete re-issuance of all other guidance for each sector (2020-21+).	
 1.2 Establish meaningful service standards	<ul style="list-style-type: none">• Reflect service standards in employee/function performance targets.	

2.0 Regulatory effectiveness

Priority (Status as at Mar. 31, 2021)	Objectives	Comments
 2.1 Protect the public interest	<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**

- Conduct analysis of 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).

Substantially complete.

Internal factors responsible for delay – the required internal resources were unavailable due to other priority work to fully complete some of the tasks.

**2.3
Modernize
systems and
processes**

- Procure enabling technology platform including CRM, case management system, enterprise content management system and data analytics tools.
- Continued 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 of the regulated sectors, to empower FSRA policy and supervisory activities.

3.0 Burden reduction and regulatory effectiveness

Priority (Status as at Mar. 31, 2021)	Objectives	Comments
<p>3.1 Transition to Principle Based Regulation (PBR)</p>	<ul style="list-style-type: none"> • Develop principles • Consultation with stakeholders on proposed principles • Issue Guidance • Consultation with Sectors • Develop supervision approach 	<p>Substantially complete.</p> <p>Internal factors responsible for delay – More planning time is required for external consultation. As a result, consultation will be initiated in next fiscal year.</p>
<p>3.2 Improve information sharing with regulators</p>	<ul style="list-style-type: none"> • Conduct consultations with sharing partners • Develop strategy/approach • Implement • Reciprocal MOU 	

4.0 Property & Casualty (Auto) Insurance sector

Priority (Status as at Mar. 31, 2021)	Objectives	Comments
<p>4.1 Empower and protect auto insurance consumers</p>	<ul style="list-style-type: none"> • 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 with an emphasis on 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 existing 	<p>Substantially complete.</p> <p>Internal factors responsible for delay - Delay in drafting final guidance due to tight timelines and resource availability.</p>

sources of, and strengths/weaknesses in, relevant consumer education, improving FSRA's public reporting and identifying opportunities for development of 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.
- In consultation with stakeholders and regulators implement the process proposed in F19-20 and use it to seek consistent application of Fair Treatment of Customers guidance across Canada including with respect to examples of fair and unfair treatment.

4.2
Support and
implement
transformative
auto insurance
reforms

- Subject to government direction in response to recommendations FSRA delivers to government in 2019-20, support and implement recommended fraud and abuse reduction initiatives.
- Support and implement reforms that create a sustainable auto insurance system that delivers value and choice for consumers.

- Subject to government direction in response to recommendations FSRA delivers to government in 2019-20, support and implement any recommended changes required to overhaul health service provider licensing.

4.3
Develop a comprehensive auto insurance data and analytics strategy

- 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. FSRA will also propose and consult with stakeholders on an implementation plan.

5.0 Credit Unions sector

Priority (Status as at Mar. 31, 2021)	Objectives	Comments
5.1 Support modernization of credit union framework	<ul style="list-style-type: none">• Continue to support MOF in the development of new credit union legislation and modernizing the framework.• Develop, propose, consult on and where practicable, start implementation of FSRA rules on topics where legislative authority may be provided to give effect to the new legislative framework if and when it is introduced by the government.• Implement the Credit Union Deposit Insurance Advertising Rule that will replace the DICO by Law#3 if approved.• Finalize and, if approved, implement a rule (or rules) setting standards on sound business and financial practices to replace those currently set out in DICO By-Law #5. 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 as well as Identify, consult on and re-issue other existing high priority guidance documents.

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

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

Substantially complete.

External factors responsible for delay – Issuance of Guidance to be deferred into next fiscal year.

5.3
Enhance credit union market conduct supervision

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

Substantially complete.

External factors responsible for delay - Initiation of public consultation to be deferred into next fiscal year.

- **5.4 Update supervisory and risk assessment approach**
 - Propose a methodology to update FSRA’s supervisory and risk assessment approach for credit unions, consult with sector and implement an updated framework.
 - Finalize and implement a new principles-based and outcomes-focused supervisory and risk assessment approach, including training, process redesign and service standards.

6.0 Life & Health Insurance sector

Priority (Status as at Mar. 31, 2021)	Objectives	Comments
● 6.1 Enhance market conduct oversight to protect consumers	<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. 	<p>Substantially complete.</p> <p>External factors responsible for delay - Revisions to timeline due to replacement of key members on the team.</p>

- Considering different distribution channels when assessing market conduct.
- Developing a proposed regulatory framework and supervisory approach for distribution channels that rely on MGAs. This would include 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. When building this framework, FSRA would consider 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**

- Develop a common process for capturing and consolidating licensing statistics from the date of assignment to approval for all products.
- The creation of meaningful reporting and key metrics, would help ensure FSRA has the

Substantially complete.

Internal factors responsible for delay – Delay in finalizing required procurements with external vendor.

capacity to 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. Including increasing information sharing with other regulators where possible.
- Develop criteria to publish service expectations for license applications and implement service standards.

7.0 Mortgage Brokering sector

Priority (Status as at Mar. 31, 2021)	Objectives	Comments
<p> 7.1 Support Government policy direction on the Mortgage Brokerages,</p>	<ul style="list-style-type: none"> • Research, policy development and approvals. • Reducing red tape for commercial mortgage transactions exemptions. • Establishing new classes of licensing. 	

Lenders and Administrators Act, 2006

- Incentivize regulation for private lenders.
- Raising educational standards for agents and brokers.

7.2 Improve licensing effectiveness and efficiency

- Non-qualified SMIs Supervisory Approach.
- 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.
- Continue 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).
- As FSRA enhances its market conduct function, it will 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	Comments
<p> 8.1 Support Plan Evolution</p>	<ul style="list-style-type: none">• Continue to build relationship management as a key skill for plan consolidation activity and complex transactions. This expertise is foundational to delivering on this priority.• Establish an advisory committee to identify ways to foster a vibrant employment-based pension pillar in Ontario. FSRA will examine the reasons employers are moving away from providing registered pension plans.• FSRA will promote good administration of pension plans that is facilitative for employers, cost efficient and can leverage innovative practices; and 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 long-term financial sustainability of the PBGF and assist MOF in its legislated review of the PBGF, including a financial risk assessment using stress-testing.
- Developing and implementing a more appropriate return-seeking investment strategy for the PBGF that 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 identification and monitoring of 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 in terms of funding, governance and investments.
- Support MOF with its implementation of a target benefit framework by conducting research, consultation and making recommendations through the standing technical advisory committee for MEPPs.
- Begin development and documentation of risk-based supervisory approach for defined

Substantially complete.

External factors responsible for delay – due to other priorities the required feedback from some external parties has been delayed.

contribution plans (e.g. member behaviour and engagement, decumulation options, investments, fees, etc.) including consultation and starting implementation.

- Continue to ensure retirees' perspectives are included in consultation, including establishing a new retiree stakeholder committee.

8.3 Refocus pension regulation on burden reduction

- Continue to focus resources on high-value regulatory activity and on reducing unnecessary regulatory burden by completing the update of its guidance framework, describing approaches, improving processes and modernizing information management and information technology.
- To continue this focus, FSRA will continue the work of ad hoc technical advisory committees (TACs) established in the fall of 2019:
 - Missing members
 - Asset Transfer
 - Family law
- FSRA will identify opportunities to reduce regulatory burden and improve regulatory effectiveness for DC plans. A new TAC will be established by the end of calendar 2020 to initiate this work.

9.0 Financial Planners & Advisors sector

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

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