

Insurance

Business plan focuses on increased oversight, consumer protection in insurance sector

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(July 16, 2021, 11:28 AM EDT) -- The Financial Services Regulatory Authority of Ontario (FSRA) released an ambitious Annual Business Plan for 2021-2024 in May outlining its priorities and strategic direction for the upcoming years. The business plan addresses the expectations and interests set out by the minister of finance in the minister's 2021-2022 Mandate Letter.

For property and casualty insurance, FSRA is concentrating its priorities on auto insurance with the goal of enhancing consumer choice, promoting innovation and fostering a more competitive and stable auto insurance marketplace.

To improve consumer protection, FSRA plans to monitor auto insurance rates and develop tools to identify unreasonable rates. One such tool is the Technical Advisory Committee for Transforming Auto Insurance Rate Regulation established in December 2019 (the Rate Regulation TAC). The Rate Regulation TAC is composed of industry experts who provide recommendations for changes to the current system of rate regulation.

The Rate Regulation TAC's recommendations may include changes to legal conditions, new FSRA rules, regulatory guidance and operational processes. The Rate Regulation TAC was scheduled to complete its mandate by March 2021, but so far, no recommendations have been released.

The business plan also describes the development and implementation of an auto insurance data and analytics strategy, intended to enhance FSRA's understanding of how the auto insurance industry behaves, the regulatory landscape, and ultimately improve auto insurance outcomes for consumers. Enhanced data driven understandings will enable FSRA to support underwriting regulations, rate regulations and implement auto

insurance reform to protect consumers by ensuring that auto insurance rates are reasonable.

In the business plan, FSRA describes two ways it will collect and use data to better understand the insurance sector and implement any needed reform. First, FSRA plans to use data from the Registered Insurance Brokers of Ontario (RIBO) to monitor whether all consumers have access to auto insurance.

FSRA's goal of ensuring that all Ontarians can access auto insurance follows from FSRA's March 2020 "Take-All Comers" consultation. Second, FSRA plans to use the information from the Annual Statement on Market Conduct database, run by the Canadian Council of Insurance Regulators, to better understand insurance practices, identify potential risks for consumers and ensure the fair treatment of consumers.

Greater access to information regarding consumer coverage and insurance industry practices will allow FSRA to understand any gaps in protection, risks to consumers or abusive practices for greater consumer protection in the auto insurance sector.

FSRA will also implement a strategy to address fraud and abuse in the auto insurance industry. As part of the strategy, FSRA is finalizing a rule defining "Unfair or Deceptive Acts or Practices" (UDAP Rule) under the *Insurance Act*. The UDAP Rule was designed, in part, to improve the existing regulatory framework by removing provisions that are unnecessarily prescriptive or inconsistent with desired regulatory outcomes and allowing for increased innovation in the auto insurance sector.

The UDAP Rule also provides outcomes-based definitions of unfair or deceptive acts or practices, sets clear and objective standards for determining misconduct that incorporates examples of unfair treatment and references the Ontario *Human Rights Code* for enhanced precision in its application.

FSRA has also set the following service standards for auto insurance for 2021-2024:

- (a) 100 per cent of private passenger auto standard filings to be reviewed and decided within 25 business days;
- (b) 85 per cent of non-private passenger auto standard filings to be reviewed and decided within 25 business days;
- (c) 90 per cent of major rate filings to be reviewed and decided within 45 business days; and
- (d) 80 per cent of underwriting rules, endorsement and form filings to be reviewed and decision made within 30 business days.

For the health and life insurance sector, FSRA's business plan aims to enhance market conduct oversight to protect consumers (in particular, with respect to intermediaries such as managing general agents (MGAs)). Another goal is to ensure that the industry has a clear understanding of FSRA's expectations for informing consumers of the total cost of their segregated funds to ensure that consumers can make informed decisions.

FSRA developed two new technical advisory committees in September 2020 to address the increased presence of intermediaries in the health and life insurance market. The role of the Segregated Funds Technical Advisory Committee is to assist FSRA with its review of the distribution and administration of segregated funds in Ontario, particularly regarding issues consumers have experienced with this type of investment product.

The role of the Insurer Oversight of Managing General Agencies Technical Advisory Committee is to provide technical input and expert advice to FSRA relating to trends and issues linked to MGAs and potential frameworks for regulating and supervising distribution channels that rely on intermediaries. FSRA will lead the implementation of a Canadian Insurance Services Regulatory Organizations (CISRO)-harmonized industry wide Code of Conduct for intermediaries to be implemented in 2022.

FSRA has also completed a review of the Life Agent Reporting Forms submitted to FSRA from June 8, 2019, to March 31, 2020, to evaluate misconduct or lack of suitability of life insurance agents (see "2019/2020 Market Conduct Life Agent Reporting Form (LARF) Summary Report," Financial Services Regulatory Authority of Ontario). The findings will allow FSRA to assess trends, determine emerging issues and develop supervisory plans to address key issues in the sector.

FSRA has also developed the following new complaint-based service standards for 2021-2024:

- (a) 90 per cent of complaints are acknowledged and replied to within three business days, provided the reply information is available; and
- (b) 80 per cent of complaints containing all available information are assessed and actioned within 120 days.

FSRA's ambitious business plan will no doubt enhance consumer protection and industry oversight in the insurance sector over the next four years, and it may also lead to greater innovation and market competition in the insurance sector. This would certainly align with FSRA's principles of accountability, effectiveness, efficiency, adaptability, collaboration and transparency.

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