

# Annual Business Plan

## 2022 – 2025

February 28, 2022

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The Financial Services Regulatory Authority of Ontario (FSRA) is an independent regulatory agency. It commenced operations in June 2019 to enhance public confidence in non-securities financial services and pensions in Ontario.

### **FSRA Vision**

Financial safety, fairness and choice for Ontarians

### **FSRA Mission**

Public service through dynamic, principles-based and outcomes-focused regulation

### **FSRA Values**

Honest, Impactful, Credible, Empathetic, Collaborative, Empowered

# Executive Summary

The Financial Services Regulatory Authority of Ontario (FSRA or “the Authority”) is pleased to present its 2022-2025 Annual Business Plan (“the Plan”). The Plan outlines FSRA’s core strategy for the fiscal years (FY) 2022-2023, 2023-2024 and 2024-2025 and the priorities for the upcoming year (2022-2023).

FSRA is an independent regulatory agency, created to improve consumer and pension plan beneficiary protections in Ontario. The Authority launched in June 2019 to replace the Financial Services Commission of Ontario and the Deposit Insurance Corporation of Ontario.

FSRA’s role is to protect Ontario consumers.<sup>1</sup> It does so by providing prudential and/or market conduct regulation and supervision of the following sectors:

- property and casualty insurance (including auto insurance rates)
- life and health insurance
- credit unions and caisses populaires<sup>2</sup>
- loan and trust companies
- mortgage brokers;
- health services providers (related to auto insurance)
- pension plans
- financial planners and advisors (proposed)

Supporting the identification and development of this year’s priorities is FSRA’s new Strategic Framework. The Framework is supported by four new strategic pillars, which articulate key areas FSRA will focus to deliver on its Mission – Public service through dynamic, principles-based<sup>3</sup> and outcomes-focused regulation.

The priorities outlined in the 2022-2025 Annual Business Plan remain focused on regulatory efficiency (including burden reduction and delivering cost efficiencies) and effectiveness, including our commitment to modernize and innovate the Authority’s

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<sup>1</sup> For the purposes of this document, the term consumers will include the public, credit union members pension plan beneficiaries, investors and other stakeholders.

<sup>2</sup> The term credit unions will include caisses populaires throughout the remainder of the document

<sup>3</sup> Principles-based regulation relies on high-level, broadly stated principles to set the standards by which regulated sectors must conduct business. This is intended to replace more prescriptive rules/regulations or guidance, which emphasize specific requirements or processes.

systems and processes. In addition, our priorities take into account FSRA's operating environment, and that of our regulated entities, which continues to face economic headwinds following COVID-19. New or updated priorities reflect an enhanced focus on consumer protection and education, while balancing the need to reduce burden on business.

The financial summary in this Plan outlines forecasted costs and revenues over a three-year period. FSRA's FY2022-23 Board-approved budget is \$111.0 million. This represents an increase of \$7.1 million (6.8 per cent) over the FY2021-2022 budget. This includes increases to salaries and benefits, investments in regulatory enhancements and effectiveness, and the Authority's digital transformation (i.e., *FSRAForward*).

# Mandate

The *Financial Services Regulatory Authority of Ontario Act, 2016* (“FSRA Act”) establishes FSRA’s role in regulating non-securities financial services and pensions in Ontario. It sets out powers to administer and enforce the FSRA Act and sector statutes and outlines FSRA’s basic governance and accountability structure.

FSRA’s overarching objects, as defined in the FSRA Act, are to:

- regulate and generally supervise the regulated sectors
- contribute to public confidence in the regulated sectors
- monitor and evaluate developments and trends in the regulated sectors
- cooperate and collaborate with other regulators, where appropriate
- promote public education and knowledge about the regulated sectors
- promote transparency and disclosure of information by the regulated sectors
- deter deceptive or fraudulent conduct, practices and activities by the regulated sectors
- carry out such other objects as may be prescribed

FSRA’s objects with respect to financial services sectors are to:

- promote high standards of business conduct
- protect the rights and interests of consumers
- foster strong, sustainable, competitive and innovative financial services sectors

For the pension sector, FSRA’s additional objects are to:

- promote effective administration of pension plans
- protect and safeguard the pension benefits and rights of pension plan beneficiaries

For credit unions and caisses populaires, additional objects are to:

- provide insurance against the loss of part or all of deposits with credit unions and caisses populaires

- promote and otherwise contribute to the stability of the credit union and caisses populaires sector in Ontario, with due regard to the need to allow credit unions and caisses populaires to compete effectively, while taking reasonable risks
- pursue the objects set out as defined in the FSRA Act for the benefit of persons having deposits with credit unions and caisses populaires and in such manner as will minimize the exposure of the Deposit Insurance Reserve Fund to loss.

FSRA has powers and duties with respect to offering statements under the *Co-operative Corporations Act*. These include reviewing and issuing a receipt for offering statements that comply with the requirements under that Act.

In addition, FSRA will administer and enforce the *Financial Professionals Title Protection Act, 2019* when it is proclaimed.

# Governance and Organization Structure

FSRA has been established as a self-funded Crown corporation with the Board appointed by the Lieutenant Governor in Council on the recommendation of the Minister of Finance (“the Minister”). FSRA’s Board of Directors (“the Board”) is accountable to the Minister and, through the Minister, to the Ontario Legislature.

The Memorandum of Understanding establishes the accountability relationship between the Minister and FSRA (see <https://www.fsrao.ca/about-fsra/governance>).

In addition to the FSRA Act, the Memorandum of Understanding helps to describe the Minister’s relationship to the Board and the Chair of the Board. It clarifies roles and responsibilities of the Minister, Chair, the Board, Deputy Minister and the Chief Executive Officer, in areas such as administration, communications, operations and others.

The Memorandum of Understanding should be read together with the FSRA Act and the governing regulated-sector statutes (e.g., *Insurance Act; Pensions Benefits Act; Mortgage Brokerages, Lenders and Administrators Act, 2006; Credit Unions and Caisses Populaires Act, 1994*; etc.).

## Board of Directors

The FSRA Act provides that the Board is to include three to eleven directors. Each director is appointed by a Lieutenant Governor in Council on the recommendation of the Minister. One director is designated as Chair by the Lieutenant Governor in Council on the recommendation of the Minister.

The Board has a dual role. It is responsible for the high-level stewardship of the organization, including oversight of FSRA management. It may also propose rules to the Minister in respect of any matter over which an Act gives FSRA rule-making authority.

## Corporate Oversight

The directors oversee the management of the financial and other affairs of FSRA, which includes oversight of:

- strategic planning

- resource allocation
- risk management
- financial reporting
- policies and procedures
- effectiveness of internal controls and management information systems

The Board approves FSRA's Annual Business Plan, including its annual regulatory priorities, and oversees its implementation by FSRA management.

Under the FSRA Act, the Board appoints a Chief Executive Officer. The Chief Executive Officer is responsible for the management and administration of the Authority and exercises the powers and duties conferred or assigned to him/her (directly or through delegates) under the FSRA Act, and the additional regulated sector statutes that FSRA administer as part of its mandate.

## **Rulemaking Authority**

The FSRA Act and sector statutes provide FSRA with rule-making authority in express areas for regulating and supervising non-securities financial services and pensions in Ontario. The Board has the responsibility to approve rules that, if approved by the Minister, have the force of law.

## **FSRA Board of Directors<sup>4</sup>**

Joanne De Laurentiis (Chair)  
Barbara Bellissimo  
Kathryn Bouey  
Blair Cowper-Smith  
Joseph Iannicelli  
Dexter John  
Stewart Lyons  
Lawrence E. Ritchie  
Brent Zorgdrager

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<sup>4</sup> List of FSRA directors as at September 2021.

## **Board Standing Sub-Committees**

Audit and Finance Committee

Deposit Insurance Reserve Fund Advisory Committee

Governance Committee

Human Resources Committee

Pension Benefits Guarantee Fund Advisory Committee

Rules and Policy Committee

Technology Transformation Committee

# Environmental Scan

FSRA continues to operate in an uncertain economic environment as the COVID-19 pandemic continues. At its height, the pandemic caused significant disruption in nearly every sector of the Canadian economy. The immediate impact of the pandemic not only represented an unprecedented global health crisis but caused widespread financial hardship for business owners and individuals, contributed to a spike in unemployment and challenged how consumers accessed goods and services. The Bank of Canada reports that overall business sentiment continues to improve, as businesses overwhelmingly indicate that they are optimistic about the future as the economy reopens.<sup>5</sup> However, potential challenges to recovery include high inflation rates and labour shortages, as well as the possibility that new variants of COVID-19 could necessitate more shutdowns.

FSRA has continued to monitor these impacts closely, particularly where they have affected the entities and individuals that it regulates, and the financial products and services offered to consumers. Throughout the pandemic, FSRA worked collaboratively with other regulators and regulated entities to identify solutions to emerging issues.

Uncertainty remains as to whether and how businesses, including financial services and the pension sector, will return to business-as-usual operations. The pandemic has fundamentally changed the way in which FSRA regulated entities conduct their business, and the way in which consumers interact with them. As financial services are increasingly conducted in a virtual world, FSRA is similarly having to adapt its supervisory efforts and regulatory expectations to reflect the changing risk profile of these entities and their offerings. Though the full scope of changes ahead of it remains unknown, FSRA is committed to actively monitoring new and emerging risks to its regulated entities and consumers, gathering data to make evidence- and risk-based decisions, and remaining adaptable to the changing environment in which it operates.

## Economic Outlook

FSRA monitors the key economic indicators in Ontario and Canada to identify trends affecting the sectors that it regulates.

Key highlights include:

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<sup>5</sup> [Bank of Canada – Monetary Policy Report July 2021](#)

- FSRA closely monitors the funding of defined benefit pension plans that are subject to solvency funding. As of September 30, 2021, pension plans have a median projected solvency ratio of 106%.<sup>6</sup> The funded positions of pension plans remained steady over this quarter, ending the streak of five consecutive quarters of steady improvement. The risk of the pandemic to the overall performance of markets accelerated the adoption of liability-driven investing and de-risking strategies for Ontario-based pension plans. Many pension plan administrators in Ontario increased their purchase of group annuities to ensure that their plans will meet all their future liabilities.
- In the credit union sector, profitability continues to be challenged due to low interest rates and the overall impacts of the pandemic. FSRA closely monitors credit unions from a prudential perspective to ensure sustainability in the sector. During the pandemic, overall liquidity in the credit union sector increased, due to higher deposits and lower lending activities. Growth in earnings has not kept pace with growth in assets, which is continuing to put pressure on credit unions in maintaining capital ratios.
- Overall profitability of the auto insurance sector has improved due to an unprecedented reduction in the number of collisions and claims during the pandemic. Auto insurance companies provided rate rebates and discounts in 2020 and 2021 to reflect that trend.
- Other property and casualty (P&C) lines, such as commercial property and liability, continue to face pressure from a hard market. FSRA will closely monitor the availability and affordability in this space. Cyber insurance continues to face difficulties as the product line matures, with the pandemic contributing to increases in the frequency and severity of cyber-attacks.<sup>7</sup>
- The life and health insurance industry will continue to face pressure for the foreseeable future because of a challenging business environment. Insurers continue to benefit from large growth in group annuity sales.<sup>8</sup>

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<sup>6</sup> [FSRA – Quarterly update on ‘Estimated Solvency Funded Status of Defined Benefit Pension Plans in Ontario’ – September 2021](#)

<sup>7</sup> [MSA Research](#)

<sup>8</sup> [MSA Research](#)

Although home sales dipped in Q2/2020, they rebounded later in 2020 and ended the year up 12.6% year over year. The Canadian Mortgage and Housing Corporation stated in its September 2021 Housing Market Assessment that the Canadian housing market is at a high degree of “vulnerability” due to price acceleration at the national level and overvaluation of properties in certain markets.<sup>9</sup> As government income subsidies wind down and economic recovery begins to drive interest rates higher, some consumers may find it difficult to meet monthly mortgage payments, renew mortgages at higher rates, or qualify for a new mortgage at a financial institution.

## **Technological Advancement and Innovation**

Prior to the pandemic, many of FSRA’s regulated entities had already adopted new digital technologies or had begun the process to do so. The pandemic has accelerated these developments across FSRA’s regulated sectors.

Key trends in technological advancement and innovation include:

- Digital distribution of products – Digital sales of financial services were becoming more prevalent prior to 2020, and the pandemic greatly accelerated this trend. Regulated entities such as insurance companies/intermediaries and mortgage brokers had to implement or improve digital sales channels to reach customers.
- Digital platforms – Entities such as credit unions, insurers and licensed intermediaries have introduced new platforms or modified their existing platforms for their customers to receive services that would normally occur in person (e.g., digital document signatures, customer service instant messaging software and chatbots, virtual account portals). Regulated entities have increasingly partnered with third-party providers to enhance their digital service offerings. In particular, the use of telemedicine platforms, payment/banking apps and do-it-yourself investing platforms became much more prevalent.
- Increased use of telematics in auto insurance – Large segments of the population transitioned to working from home, which resulted in significantly fewer kilometers driven. As a result, consumers have become more interested in innovative

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<sup>9</sup> [CMHC – Residential Mortgage Industry Report](#); and [CMHC – Housing Market Assessment](#)

methods to save money on auto insurance premiums. For example, there are some signs of increasing consumer interest in usage-based insurance.<sup>10</sup>

## Consumer Issues

FSRA actively performs scans of its operating environment to identify potential issues, which may impact consumers.

Key consumer issues include (but are not limited to):

- The pandemic undoubtedly will change consumers' perception of and relationship with financial services across FSRA's regulated sectors. While the long-term impacts of the pandemic on consumers are unknown, Ontario has experienced high levels of unemployment and significant increases in household indebtedness<sup>11</sup>. These negative impacts have also disproportionately impacted economically vulnerable groups<sup>12</sup>, which could potentially result in sustained economic and financial insecurity, and permanently alter consumer behaviours. FSRA will continue to monitor the impact of the pandemic on the financial resiliency of consumers.
- The pandemic led to increased usage of digital technologies amongst consumers for financial products and services. FSRA will closely monitor the development of this trend to better understand if these digital technologies will be adopted on a permanent basis by consumers. Likewise, FSRA is interested in learning whether consumers are using digital technologies to support and enhance their interactions with financial service providers, or if these technologies are replacing more traditional relationships with expert professionals. Risks for FSRA to monitor in this space include improper disclosure and lack of transparency; consumers not fully understanding their options; and product suitability.

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<sup>10</sup> A [Capgemini global study](#) found that 51% of consumers in 2020 were interested in UBI, compared to just 35% in 2019. A study by [lowestrates.ca](#) found that 38% of respondents from Ontario were interested in a UBI program, compared to just 28% in 2019. CAA Insurance Company (CAA) [reported](#) that its MyPace program grew by approximately 300% between April and December 2020.

<sup>11</sup> [Bank of Canada – Financial System Review 2021](#)

<sup>12</sup> Households in Canada that already had high debt-to-income ratios were more adversely impacted by the economic consequences of the pandemic.

- Mortgage Brokers – The pandemic heightened affordability issues for consumers, which affect consumers’ ability to find suitable financial products and services. The issue of housing affordability is particularly challenging in the mortgage industry. There are numerous trends and threats to positive consumer outcomes associated with the lack of affordability, including: increases in private mortgages and non-bank financial intermediaries such as Mortgage Investment Corporations, potential mis-selling of products to consumers, and fraud for shelter.<sup>13</sup>
- Insurance – Affordability continues to be a concern for insurance consumers. As consumers become more price conscious, there is an increased risk that they will opt for policies based solely on price as opposed to those that provide optimal coverage for their unique circumstances. FSRA will also continue to monitor the overall value-for-money insurance consumers receive from their products and whether the products consumers are being sold are suitable.

## Emerging Issues and Trends in FSRA’s Regulated Sectors

FSRA performs ongoing scans of its regulated sectors, and the financial services sector more broadly, to identify emerging risks. In particular, FSRA is actively monitoring cyber/technology risk and climate change risk:

- The overall risk posed by climate change and natural catastrophes continues to be closely monitored by FSRA. The National Issues Report by Natural Resource Canada found that there are large gaps which remain in Canada’s preparedness for the effects of climate change. Severe weather has caused an average of \$1.4 billion in insured damage per year in Canada since 2009, and the total exposure to climate related losses is expected to increase in the future.<sup>14</sup> The increased likelihood and severity of natural catastrophes represents a risk to FSRA regulated entities, particularly insurance companies, credit unions and pension plans. Risks associated with climate change include: the potential physical damage to property; disruption to essential services; consumers potentially being underinsured for risks; and liquidity/capital challenges.

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<sup>13</sup> Providing false information on a mortgage application to qualify a borrower for a mortgage that their income or credit history does not allow is called fraud for shelter.

<sup>14</sup> [Natural Resource Canada – National Issues Report](#)

- The pandemic has led to an increase in cyber-security and technology risks due to the increased use of digital and new technologies, the transition to remote work environments, outsourcing to third parties, and the overall state of the economy resulting in higher instances of fraud (e.g., ransomware). According to the Canadian Centre for Cyber Security, the risks related to cyber-attacks is expected to increase in the future. This includes increased risks to consumer privacy, access to essential services, critical infrastructure, operational resiliency of financial institutions, and the overall economic and financial wellbeing of Canadians.<sup>15</sup>

These two areas pose significant long-term risk to FSRA's consumers and regulated entities. In addition to performing scans to better understand the potential impacts posed by climate and cyber risk, FSRA is also monitoring the development of guidance, regulatory requirements, and potential mitigation efforts by other regulators in these areas. FSRA continuously monitors the activity of peer and global regulators, especially as it relates to addressing new risks. FSRA will harmonize its risk mitigation efforts with other regulators when possible.

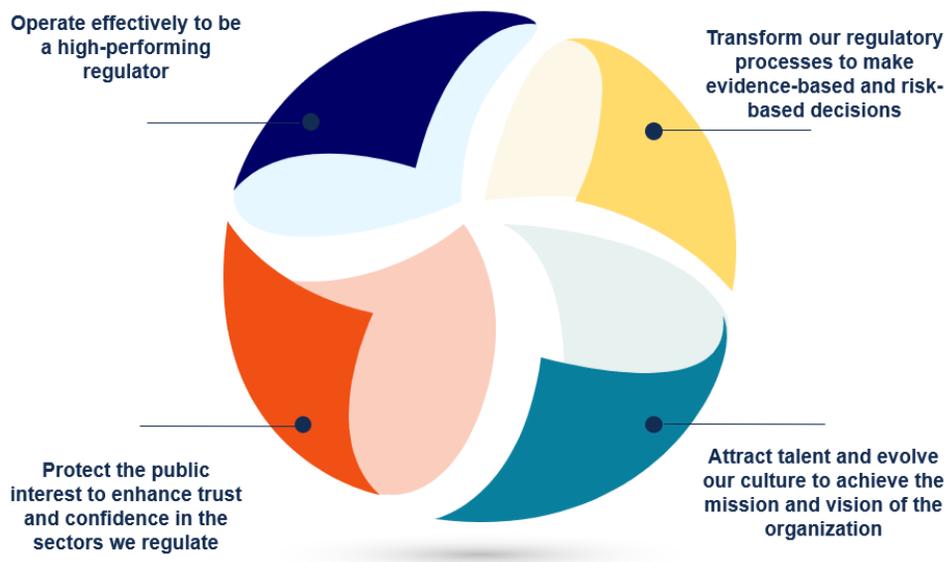
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<sup>15</sup> [Canadian Centre for Cyber Security – National Cyber Threat Assessment 2020](#)

# Strategic Framework/Direction

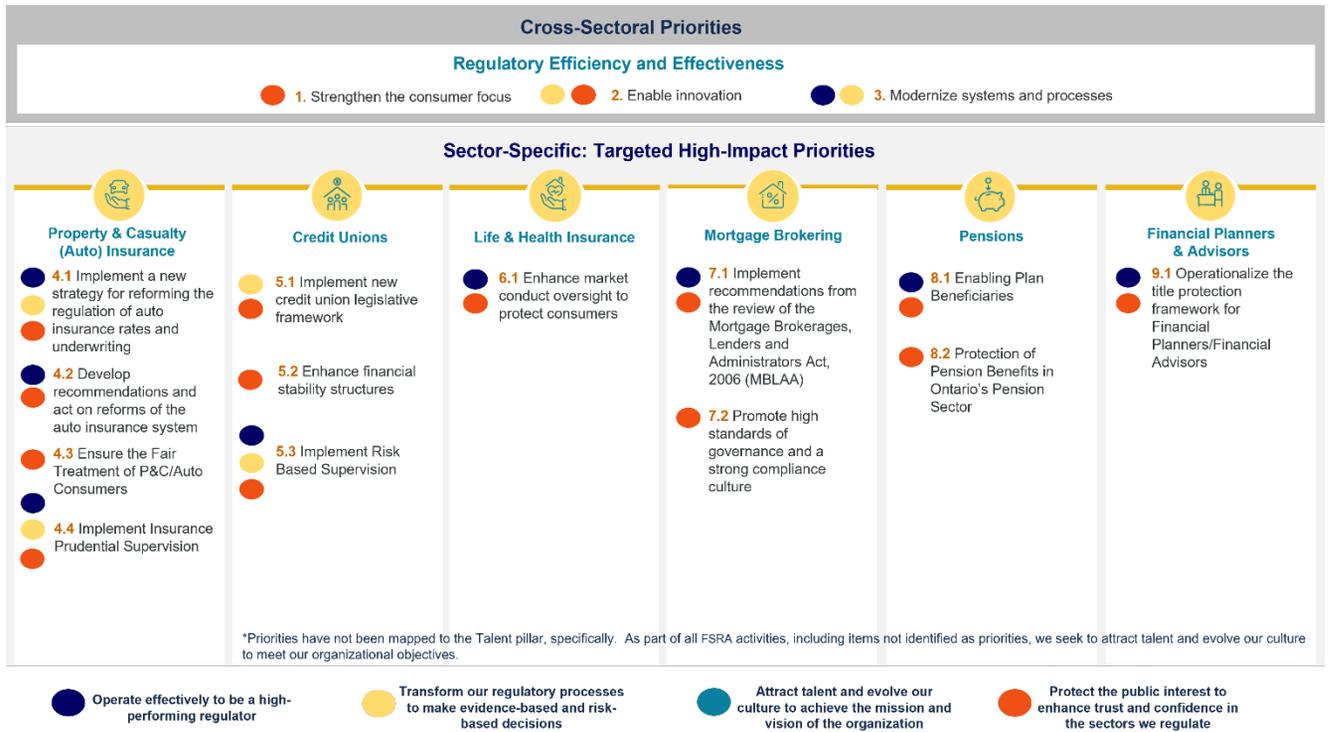
FSRA developed a revised Strategic Framework (“the Framework”) in FY2021-2022, forming the foundation for our strategic planning through 2025. The Framework reflects FSRA’s legislative objects, as well as its Vision and Mission. It consists of four main pillars, articulating what FSRA will focus on over the next three years. The details of each pillar are documented in Appendix D of the Plan.

**Figure 1: Revised Strategic Framework**



The strategic pillars were used to develop each of the FY2022-2023 strategic priorities, aligning key activities with our overall strategy and the achievement of FSRA’s mission. Each of the strategic priorities can be mapped to one or more of the pillars, as depicted in Figure 2.

**Figure 2: Mapping of strategic priorities to strategic pillars**



# Overview of Sectors

## Property and Casualty/Auto Insurance

The P&C/auto insurance sector provides financial products designed to protect consumers and businesses against financial loss related to many different risks, such as owning a home, vehicle or business, and associated liabilities. Ontario's P&C insurance sector represents nearly \$31 billion in direct written premiums, 50 per cent of which are derived from auto insurance.<sup>16</sup> FSRA's role includes:

- licensing P&C insurance companies, independent adjusters and agents that sell P&C insurance in Ontario to ensure they comply with the law
- regulating the conduct of business of insurance companies, agents and adjusters to ensure the fair treatment of consumers throughout the entire product lifecycle
- conducting prudential regulation of Ontario-incorporated insurance companies
- examining the affairs of the Registered Insurance Brokers of Ontario and Facility Association and reporting results to the Minister

FSRA also carries out additional functions specific to Ontario's auto insurance system, including regulating auto insurance products and their underwriting, distribution and pricing and whether auto insurance rates are just and reasonable.

## Health Service Provider Sector

The health service provider sector consists of approximately 5,750 licensed health service providers that invoice auto insurance companies for statutory accident benefits claims through the Health Claims for Auto Insurance system. FSRA's role includes:

- licensing health service providers to use a centralized billing system
- regulating the business and billing practices of licensed service providers
- collecting information about licensed health service providers' business systems and practices through an Annual Information Return

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<sup>16</sup> 2020 MSA Research Quarterly Outlook Report.

## Life and Health Insurance

The life and health insurance sector provides comprehensive financial products to help individuals protect key aspects of their lives against risk of loss. Products include life and health insurance, as well as related investment products. FSRA's role includes:

- licensing life insurance companies and agents that sell life and health insurance in Ontario to ensure they comply with the law
- regulating the conduct of business of insurance companies and agents to ensure the fair treatment of consumers throughout the entire product lifecycle

## Mortgage Brokering

The mortgage brokering sector enables homeownership for many Ontarians. In 2020, mortgage brokerages arranged over 377,000 mortgages in Ontario, valued at approximately \$164 billion.<sup>17</sup> In Ontario, all individuals and businesses that carry on mortgage brokering and administration activities are required to be licensed with FSRA.

In FY2020-21, FSRA regulated approximately 1,200 mortgage brokerages, 2,700 mortgage brokers, 13,000 mortgage agents and 220 mortgage administrators in Ontario. FSRA's role includes:

- increasing public confidence in the sector by regulating the conduct of licensees through monitoring
- enforcing compliance with the *Mortgage Brokerages, Lenders and Administrators Act, 2006* and its regulations to protect borrowers arranging mortgages and persons investing in syndicated mortgages

## Pensions

Registered pension plans provide an important source of retirement income to a large number of employees and retirees in Ontario. The private sector is trending away from traditional single employer defined benefit models. Still, defined benefit membership

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<sup>17</sup> FSRA 2020 Annual Information Return.

continues to dominate both plan membership and assets in Ontario. This is primarily due to large public-sector sponsored plans and multi-employer pension plans. A significant number of working age Ontarians may be members of defined contribution plans. The pension sector is large with plan assets of \$756 billion in over 4,800 regulated plans, with over 4.3 million plan members.

## **Co-operative Corporations**

Co-operative corporations (co-ops) are member-owned and -controlled businesses that are incorporated under Ontario's *Co-operative Corporations Act*. There are approximately 1,800 co-ops in Ontario. FSRA's role in the co-op sector is to carry out powers and duties under the *Co-operative Corporations Act* that relate to the review of offering statements prepared by co-ops when raising capital from investors.

## **Credit Unions and Caisses Populaires<sup>18</sup>**

Credit unions are co-operative, deposit-taking institutions that are owned by their members who are also their customers. Ontario's credit union sector has almost 1.8 million members, over 7,400 employees, and assets of over \$80 billion. Ontario's credit unions are diverse in size and the sector includes institutions with total assets ranging from \$11 million to greater than \$20 billion.

FSRA is currently in the process of enhancing the way it supervises Ontario credit unions. This work represents a multi-year journey to improve FSRA's supervisory practices under the new Risk Based Supervisory Framework.

FSRA's role includes:

- incorporating credit unions and reviewing the related documentation
- reviewing and approving proposed transactions involving credit unions such as amalgamations and the purchase or sale of assets

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<sup>18</sup> For the purposes of this document, the term "credit union" will be used to refer to both credit unions and caisses populaires.

- overseeing prudential activity of credit unions to ensure they comply with solvency, liquidity and other risk management and corporate governance requirements in the *Credit Unions and Caisses Populaires Act, 2020*, its regulations and FSRA Rules
- regulating the conduct of credit unions (e.g., by ensuring they comply with the principles of sound business and financial practice, treat members fairly and handle complaints in an appropriate manner)

## **Financial Planners / Financial Advisors**

The goal of the Financial Professionals Title Protection Framework is to ensure that individuals using the “financial planner” and “financial advisor” titles are appropriately qualified through meeting minimum standards. This will promote confidence and professionalism in the sector and avoid confusion for investors/consumers who may see the titles used without assurance of qualifications.

Under the framework, FSRA will establish:

- minimum standards for financial planner and financial advisor credentials
- criteria that entities must meet to obtain approval as a credentialing body

Organizations seeking approval as credentialing bodies under the *Financial Professionals Title Protection Act, 2019* will need to meet certain standards with respect to their curriculum, monitoring of financial planner and financial advisor title users, compliance and enforcement.

Under the framework, FSRA will implement processes and procedures to approve credentialing bodies and financial planner and financial advisor credentials, as well as implement a supervisory approach for the oversight of credentialing bodies and non-credentialed financial planner and financial advisor title users.

FSRA will operationalize the title protection framework upon proclamation of the *Financial Professionals Title Protection Act, 2019*.

# Statement of Priorities

The requisite implementation plan is embedded within the overview and description of each priority. These priorities signify a new or transformative approach, process and/or initiative that have not been part of normal operation procedures in the past. Once they are part of regular business practices they will not longer be stated as a priority, but subsumed in FSRA’s day-to-day operations.

**Cross-Sectoral Priorities**

**Regulatory Efficiency and Effectiveness**

### 1. Strengthen the Consumer Focus

- Identify opportunities to respond to the needs of and risks to consumers in positions of vulnerability
- Strengthen FSRA’s baseline understanding of the current complaints resolution system, including consumer experiences.
- Strengthen the Consumer Office’s consumer research agenda
- Enable the FSRA Consumer Advisory Panel and other consumer stakeholders to participate in more of FSRA rule development, guidance, and other policy work

### 2. Enable Innovation

- Implement the Innovation Framework and innovation tools we have developed by:
  - Scale our Test and Learn Environments, gather data and refine our approach to ensure they support responsible innovation in Ontario’s financial services ecosystem.
  - Implement the 5-stage innovation process.
  - Implement an engagement strategy that proactively engages sector participants and consumers to identify innovation opportunities and emerging trends, including the potential creation of a dedicated advisory body to FSRA.

### 3. Modernize Systems and Processes

- Implement technology solutions to reduce processing times, improve information sharing and provide self-service capabilities
- Implement advanced online/web-based information sharing and transactional processing tools
- Develop digital document processing and digital signature capabilities
- Enable data analytics for each of the regulated sectors

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- Build our understanding and act as a center of expertise and information on innovation, championing an innovative culture.

## Sector-Specific: Targeted High-Impact Priorities

### Property & Casualty (Auto) Insurance

- 4.1** Implement a new strategy for reforming the regulation of auto insurance rates and underwriting
- 4.2** Develop recommendations and act on reforms of the auto insurance system
- 4.3** Ensure the Fair Treatment of P&C/Auto Consumers
- 4.4** Implement Insurance Prudential Supervision

### Credit Unions

- 5.1** Implement new credit union legislative framework
- 5.2** Enhance financial stability structures
- 5.3** Implement Risk Based Supervision

### Life & Health Insurance

- 6.1** Enhance market conduct oversight to protect consumers

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### Mortgage Brokering

- 7.1** Implement recommendations from the review of the *Mortgage Brokerages, Lenders and Administrators Act, 2006*
- 7.2** Promote high standards of governance and business conduct

### Pensions

- 8.1** Enabling Plan Beneficiaries
- 8.2** Protection of Pension Benefits in Ontario's Pension Sector

### Financial Planners & Advisors

- 9.1** Operationalize the title protection framework for Financial Planners/Financial Advisors

# Regulatory Efficiency and Effectiveness

## 1. Strengthen Consumer Focus

### Overview

FSRA continues to prioritize meaningful engagement with consumer stakeholders. Through the work of the Consumer Office, FSRA has found the role of the Consumer Advisory Panel to be critical to FSRA in fulfilling its mandate to protect the public interest. The Consumer Advisory Panel has provided FSRA with valuable advice on all of FSRA's strategic priorities, and the Consumer Advisory Panel has participated in FSRA public consultations. FSRA has also created new opportunities to dialogue with other consumer stakeholders. Through the Consumer Office and with the support of Consumer Advisory Panel, FSRA has engaged and supported other consumer stakeholder participation in FSRA consultations. FSRA also convened the Residents' Reference Panel on Automotive Insurance in Ontario, which offered recommendations to FSRA from the perspective of everyday Ontario residents.

Building on the strong foundation established through the Consumer Office and the Consumer Advisory Panel, FSRA continues to look for opportunities to increase and deepen consumer stakeholder participation in its policymaking (i.e., rulemaking and guidance development).

FSRA is also seeking to strengthen its consumer research agenda. Strengthening FSRA's evidence-base around consumers will support its growth as an outcomes-focused and consumer-centered regulator.

It is also important that FSRA brings an equity lens to its work. While a focus on vulnerable consumers is underpinned by FSRA's statutory objects of consumer protection, consumer vulnerability has come into sharper focus with COVID-19 and its disproportionate impact on the circumstances of many Ontario residents.

Building on the Consumer Office's research on and development of cross-sectoral, principles-based, guiding policy frameworks on Consumer Disclosures and Complaints Resolution, the Consumer Office will continue to work with internal partners, other regulators, and with industry, to apply the practices, guiding principles, and strategies from the frameworks.

Lastly, to explore cross-cutting consumer issues and to enhance protection of the public across multiple sectors, it will be important for FSRA to build its supervisory capacity to conduct thematic reviews across the regulated sectors. This capacity will further our regulatory efficiency and effectiveness objectives, as well as support the objectives identified in this priority as well as others described below.

### **Key Deliverables**

- Identify opportunities for FSRA to respond to the needs of and risks to consumers in positions of vulnerability, to strengthen FSRA's focus on the protection of vulnerable consumers.
- Strengthen FSRA's baseline understanding of the current complaints resolution system, including consumer experiences.
- Strengthen the Consumer Office's consumer research agenda and share insights from consumer research with consumers, industry, and other key stakeholders.
- Enable the FSRA Consumer Advisory Panel and other consumer stakeholders to participate in more FSRA rule development, guidance, and other policy work (e.g., more consumer stakeholder engagement with FSRA public consultations, more consumer panels, etc.) further strengthening FSRA's collaboration with consumer stakeholders in policymaking.

### **Planned Outcomes**

- Enhanced protection of consumer rights and interests through a focus on vulnerable consumers.
- Better informed consumers through stronger consumer disclosure practices.
- Enhanced public knowledge and navigability of the complaints resolution system.
- Enhanced public confidence in the regulated sectors through a strong consumer research agenda and more opportunities for consumer stakeholders to participate in policymaking.

## 2. Enable Innovation

### Overview

The Innovation Office's start-up phase has to this point been focused on theory-building: gathering information, developing working relationships, and identifying where we can have an impact that supports FSRA's fostering of responsible innovation in Ontario's financial services ecosystem.

Over the last year we have held consultations with stakeholders and partners within FSRA, in government, at other agencies, consumers, innovation centers and with financial services sector innovators themselves. These consultations have happened in tandem with our efforts to develop and launch our innovation toolkit: we have developed our Innovation Framework, created our Innovation Process, designed our Test and Learn Environments to test innovation opportunities, and have begun work to identify how FSRA can better use its discretionary powers to support innovation.

The coming year will be focused on refining our approach as new data and context emerges, ultimately moving from theory to practice as we begin to wield the innovation tools we have been crafting within the statutes and objects of regulated sectors and applicable legislation.

### Key Deliverables

Implement the Innovation Framework and innovation tools we have developed by:

- Scaling our Test and Learn Environments to gather data and refine our approach to ensure they support responsible innovation in Ontario's financial services ecosystem.
- Implementing the 5-stage innovation process.
- Implement an engagement strategy that proactively engages sector participants and consumers to identify innovation opportunities and emerging trends, including establishing a potential advisory body to FSRA.

- Build our understanding and acting as a center of expertise and information on innovation, championing a culture of innovation among FSRA’s regulated financial services sectors.

## **Planned Outcomes**

More innovative and competitive financial services through:

- Expanded and enriched access to markets for new market entrants and existing businesses across our sectors, encouraging innovators to bring their responsible innovations to the Ontario financial services market.
- Deepened and expanded relationships with our key stakeholders continuing our efforts to develop open, genuine, transparent lines of communication between FSRA and sector participants to ensure that FSRA’s pursuit of responsible innovation is guided by data and perspective.
- Greater expertise and understanding of the changing financial services landscape both in Ontario and around the world, allowing the Innovation Office to confidently make recommendations regarding novel solutions proposed by innovators and alternative policy approaches to regulating Ontario’s financial services ecosystem.
- Greater awareness of innovation opportunities and development of innovation culture at FSRA through standardization of the innovation tools.

## **3. Modernize Systems and Processes**

### **Overview**

FSRA continues to modernize its Information Management/Information Technology systems, and the processes they support, following a multi-year transformation roadmap (the “roadmap”).

The roadmap incorporates both sector-specific business priorities and enterprise-wide technology requirements. It also creates a flexible and adaptable business-operating model, supported by streamlined operational processes.

These workflow and system improvements will be key to delivering on the regulatory efficiency priority through:

- optimized and streamlined data collection and filings
- improved service levels
- enhanced ability for FSRA to respond quickly to changing regulatory needs

FSRA is committed to involving the sectors in the modernization work through communication, consultation, and collaboration. This includes outreach through FSRA's communication channels, forums for discovery and user experience research, and ongoing opportunities for input and feedback as the modernization takes shape.

### **Key Deliverables**

- Implement technology solutions to enable simplified and fully digitized operations, including a 360-degree view of regulated entities (customer information system), case management, content management and data analytics tools, with enhanced client portals.
- Implement advanced online/web-based information sharing and transactional processing tools on FSRA portals.
- Develop digital document processing and digital signature capabilities to support streamlined processing of all paper-based channels.
- Enable data analytics for each of the regulated sectors to empower FSRA policy and supervisory activities. Across the sectors, we will enhance infrastructure and establish new data interfaces (both new data sources and improved data exchanges) and implement advanced analytics and reporting systems to enable more efficient decision-making across all sectors.

### **Planned Outcomes**

- Improved regulatory oversight through greater access to data and analytics tools across all sectors.

- Improved relationships with stakeholders through enhanced relationship- and case-management capabilities, and improved tracking and operational processing capabilities.
- Improved and, where possible, customized user experience with the FSRA online portal.
- Improved turnaround time for licensing, filing and registration processes.
- Improved access to information for consumers.

## **4. Property and Casualty (Auto) Priorities**

### **4.1 Implement a new strategy for reforming the regulation of auto insurance rates and underwriting**

#### **Overview**

FSRA's strategy for reforming the regulation of auto insurance rates and underwriting will make the oversight of auto insurance rates and underwriting rules more dynamic, flexible, and transparent to protect fair access to auto insurance for Ontario's consumers.

#### **Key Deliverables**

- Explore opportunities to begin development of a rule and guidance to define fairness in rates, risk classification and underwriting.
- Develop guidance to improve operational efficiency, including filing management and decision-making processes.
- Advance transition to a new supervisory framework that monitors and enforces compliance with requirements for rates and underwriting.
- Develop a consumer education strategy to promote informed decision making.

- Develop a transparency strategy that creates more accountability for consumer outcomes throughout the sector.
- Provide data analytics support for the regulatory reform of rates and underwriting by developing new supervisory tools and monitoring market health and consumer outcomes.

Complete the Take All comers Thematic Review and apply lessons learned.

### **Planned Outcomes**

- Fairer treatment of consumers by holding insurers accountable for misconduct and treating consumers fairly through FSRA rulemaking, guidance and a new supervisory framework.
- Improved market health with more efficient regulation through FSRA process reforms that enable market entry, responsiveness, innovation and delivering value-for-money to consumers.
- Empowered consumers to make more informed decisions by enhancing transparency and providing resources to enhance the consumer’s understanding of auto insurance.
- Clear and consistent communication of FSRA’s approach to principles-based regulation and supervision.

## **4.2 Develop recommendations and act on reforms of the auto insurance system**

### **Overview**

FSRA will continue supporting the implementation of legislative changes to reform auto insurance regulation and provide expert advice to government on key trends and opportunities to improve regulatory effectiveness, efficiency, and outcomes for consumers.

## Key Deliverables

- Work with the Ministry of Finance to support the development and implementation of initiatives to reduce fraud and abuse in the system.
- Develop Health Service Provider supervisory reforms, including enhanced efficiency and more effective regulation through coordination with regulatory colleges and sector participants.
- Work with stakeholders to improve the Health Care for Auto Insurance system, including the efficiency of billing and data practices to improve consumer outcomes.
- Act on next steps from the Three-Year Review of Auto Insurance.
- Collaborate with stakeholders on opportunities to improve consumer outcomes and evaluate trends.

## Planned Outcomes

- Improved public confidence in regulated sectors by improving Health Service Provider supervision.
- Reduced fraudulent conduct, practice, and activity through initiatives to reduce fraud and abuse.
- Improved protection of consumer rights and interests by enhancing regulatory effectiveness and efficiency.

## 4.3 Ensure the Fair Treatment of P&C/Auto Consumers

### Overview

FSRA is taking an outcomes-focused approach to monitoring P&C/Auto conduct, including supervision, deterrence and encouraging high standards of conduct in the interest of public

confidence and safety. To ensure the fair treatment of customers, FSRA will continue to apply a principles-based approach in setting conduct expectations.

### **Key Deliverables**

- Explore opportunities in risk-based targeting to prioritize compliance initiatives and address consumer harms.
- Complete the Take All Comers Thematic Review and apply lessons learned.

### **Planned Outcomes**

Enhanced public confidence in regulated sectors through regulatory outcomes supporting the fair treatment of customers.

## **4.4 Implement Insurance Prudential Supervision**

### **Overview**

FSRA is responsible for the prudential regulation of Ontario-incorporated insurance companies. There are 54 Ontario-incorporated insurers primarily consisting of farm mutual insurers, but also including a limited number of conventional P&C and reciprocal insurers, as well as other types of insurance providers.

As part of its statutory mandate, FSRA has begun a review of its insurance prudential supervisory approach and framework. As part of this multi-year initiative, FSRA intends to engage with the sector to develop a new and enhanced framework which adheres to international best practices. The development of the revised approach will include review of supervisory practices, regulatory operations, recovery framework and key prudential supervisory principles. The new framework will support a vibrant financial services sector by fostering strong and resilient institutions, better protecting policyholders, and promoting financial stability and choice for Ontarians.

The enhancements in the approach to supervision of Ontario-incorporated insurance companies will also result in increased operational demands within FSRA and initiate an open dialogue with the insurance sector on the implications of the change.

## **Key Deliverables**

- Modernize supervisory approach and framework by appropriately aligning FSRA supervisory practices to relevant international standards.
- Implement the Insurance Prudential Supervisory Framework and related guidance.
- Collaborate with the Ontario-incorporated insurance sector to develop an agreed upon workplan for sector guidance and rules to support effective regulation.

## **Planned Outcomes**

- Modern, effective, and forward-looking supervisory methodology and processes.
- A stronger, more sustainable, competitive, and innovative sector.
- Clear and consistent communication of FSRA's approach to principles-based regulation and supervision.

## 5. Credit Union Priorities

### 5.1 Implement the new credit union legislative framework

#### Overview

In December 2020, the new *Credit Unions and Caisses Populaires Act, 2020* received Royal Assent. The new legislation aims to create a modern, principles-based statutory framework for Ontario's credit unions and provides FSRA with new rule-making powers on approximately 60 topics. Over FY2021-2022, FSRA began work to implement the new legislative framework by developing and consulting on three rules: i) Sound Business and Financial Practices, ii) Capital Adequacy and iii) Liquidity Adequacy. FSRA will support the government to be able to proclaim the *Credit Unions and Caisses Populaires Act, 2020* into force. This includes continuing to work closely with the government, the credit union sector, and other stakeholders to implement the *Credit Unions and Caisses Populaires Act, 2020* and its regulations, as well as develop additional rules and guidance in order to further transition the sector to principles-based regulation.

#### Key Deliverables

- Support Ministry of Finance in the implementation of regulations under the *Credit Unions and Caisses Populaires Act, 2020* legislation.
- Develop, consult on, and issue high priority principles-based guidance and rules identified in FSRA's existing work plan with the credit union sector. This includes those relating to FSRA's approval process for investments, business powers and Subsidiaries, operational risk management, as well the unclaimed deposits framework under the *Credit Unions and Caisses Populaires Act, 2020*.
- Engage the credit union sector to create a workplan that contemplates all of the (approximately 60) areas for which FSRA has rule-making authority under the *Credit Unions and Caisses Populaires Act, 2020* and prioritizes the development of additional rules and guidance that have not already been developed or identified on FSRA's existing work plan with the sector.

#### Planned Outcomes

- Improved protection of member deposits, interests, and confidence.

- A stronger, better governed and more resilient credit union sector.
- More competitive, stable, and innovative credit unions.

## 5.2 Enhance financial stability structures

### Overview

FSRA will continue to promote the resiliency of the credit union sector through the enhancement of safety net structures such as the Deposit Insurance Reserve Fund and the Differential Premium System methodology, FSRA's resolution regime, and ensuring access to sufficient emergency liquidity. Safety net structures and tools ensure that deposits are protected during both day-to-day activities as well as stress events and promote sector stability.

### Key Deliverables

- Initiate consultations with the sector on FSRA's new proposed Differential Premium System methodology and work with the Ministry of Finance to identify necessary amendments to regulations.
- Continue to enhance the Deposit Insurance Reserve Fund Adequacy Assessment Framework and work with the sector on the most effective way to gather required risk data for the benefit of credit unions, the sector, and FSRA. This includes delivering a report to the Minister of Finance on the adequacy of the Deposit Insurance Reserve Fund, as required under the *Financial Services Regulatory Authority of Ontario Act, 2016*, using an updated assessment framework.
- Continue work with various external partners on sectoral structural liquidity to secure the most efficient access to sufficient emergency liquidity for Ontario credit unions.
- Continue to work with the Ministry of Finance and the credit union sector to enhance FSRA's resolution regime.

## Planned Outcomes

- Reduced Deposit Insurance Reserve Fund's exposure to loss
- Improved depositor protection and sector stability
- Greater public, sector, and regulatory confidence in the availability of liquidity sources for the sector

## 5.3 Implement Risk Based Supervision

### Overview

Major changes and developments in the financial services industry have changed the nature of risks and risk management of financial institutions. Recognizing these changes, FSRA has developed a new Risk-Based Supervisory Framework, which integrates both prudential and market conduct supervision.

Implementation of the new Risk-Based Supervisory Framework is a multi-year initiative which aims to transform and modernize FSRA's supervisory methodology. This transformation will require substantial resources and close collaboration with the credit union sector that will greatly advance risk management practices at FSRA and credit unions, and ultimately reduce burden to the sector in the future.

The new methodology ensures that FSRA can respond proactively and effectively to changes in the Ontario credit union sector and improves the crisis readiness and resiliency of Ontario credit unions. FSRA will begin to supervise credit unions under the new Risk-Based Supervisory Framework and continue to transition to a principles-based and outcomes focused regime.

### Key Deliverables

- Implement and operationalize new dynamic, outcomes-focused, and risk-based practices, and processes for assessing credit union risk profiles and determining FSRA's level of supervisory engagement. FSRA will determine the risk profiles for a subset of credit unions under the new Risk-Based Supervisory Framework methodology, with a plan to assess all institutions under the new framework over the coming years.
- Work with credit unions to implement recovery planning requirements.

- Refine the market conduct supervisory program to focus on high-risk activities that could result in unfair or poor outcomes for members and that pose risks to credit union sector stability and a credit union's viability.

### **Planned Outcomes**

- Enhanced proportional and effective supervision that is forward looking and risk based
- Enhanced sector resiliency and stability, and improved depositor protection
- Clear and consistent communication of FSRA's approach to principles-based regulation and supervision

# 6. Life and Health Insurance

## 6.1 Enhance market conduct oversight to protect consumers

### Overview

The International Association of Insurance Supervisors' globally accepted framework for insurance supervision requires insurers and intermediaries to treat customers fairly, both before a contract is entered into and through to the point at which all obligations under a contract have been satisfied.

Since the 2018 release of the Canadian Council of Insurance Regulators/Canadian Insurance Services Regulatory Organizations guidance on the Fair Treatment of Customers, FSRA and regulators across Canada have actively supervised against the guidance to assess if customers are being treated fairly. In response to regulatory findings, and to enhance trust and increase confidence in the sector, FSRA is actively taking steps to enhance its supervisory approach, improve consumer disclosure, and release guidance that will address consumer harms.

### Key Deliverables

- Publish for consultation a proposed framework and supervisory approach for Managing General Agents.
- Working with insurance and securities regulators across Canada, develop harmonized total cost reporting disclosure requirements for segregated fund contracts.
- Finalize guidance on segregated fund recommendations, working with insurance regulators across Canada.
- Publish for consultation guidance on Fair Treatment of Customers incentives, working with insurance regulators across Canada.
- In consultation with industry, build supervision capacity in insurance distribution under FSRA's supervisory framework for Life & Health Insurance, including Agent supervision.

## Planned Outcomes

- High standards of business conduct are achieved by providing a clear understanding of FSRA's expectations of the relationship between insurers and Managing General Agents, to ensure that obligations under the *Insurance Act*, its regulations, and agent license requirements are being met.
- Consumers are better informed, as industry has a clear understanding of regulatory expectations regarding the information consumers will receive about the total cost of their segregated fund contracts.
- Customers are treated fairly, as industry has a clear understanding of:
  - Regulatory expectations with respect to the sale and administration of segregated fund contracts, help ensure customers are treated fairly.
  - Regulatory expectations for insurers and intermediaries for the appropriate assessment and management of customer risks, that could result from incentives paid for product sales and servicing.
  - FSRA's expectations for agent and distribution channel oversight.
- Clear and consistent communication of FSRA's approach to principles-based regulation and supervision.

# 7. Mortgage Brokering

## 7.1 Implement recommendations from the review of the *Mortgage Brokerages, Lenders and Administrators Act, 2006*

### Overview

FSRA will continue to work with the government to implement recommendations from the 2019 report on the review of the *Mortgage Brokerages, Lenders and Administrators Act, 2006*. The report's recommendations focus on:

- improving consumer and investor protection
- modernizing and streamlining the *Mortgage Brokerages, Lenders and Administrators Act, 2006* to increase access to the mortgage market for homeowners, lenders, and investors, by improving regulatory efficiency and reducing burden

### Key Deliverables

- Implement any government-approved regulatory amendments that introduce a licensing scheme with enhanced proficiency requirements that better reflect the unique practices of different segments of the mortgage market, and review sector fees to ensure alignment with the new licensing scheme.
- Explore and analyze data sources, including available market intelligence data, to determine the best information that would assist FSRA and other stakeholders in understanding and monitoring the private lending mortgage market.

### Planned Outcomes

- Protection of public interests by continuing to work with the sector and the Ministry of Finance to explore policy changes that could introduce an additional licence for dealing in activities that require additional proficiency from those obtained under the current licensing requirements.
- Enhanced efficiency and effectiveness of the licensing regime, especially for those dealing and trading in traditional types of mortgages.

- Enhanced regulation and supervision through an improved understanding of private mortgage lenders' participation in Ontario's housing market, to support effective evidence-based regulatory and policy decision making.

## **7.2 Promote high standards of governance and business conduct**

### **Overview**

A key principle of FSRA's risk-based regulatory approach is to promote good governance, controls and internal processes to achieve high standards of business conduct in the mortgage brokering sector. This approach helps ensure that Principal Brokers and other licensees can effectively identify and manage risks, to ensure the fair treatment of consumers.

In FY2020-2021, FSRA surveyed 1,000 Principal Brokers about the environment under which they operate, an environment which is continuously adapting to trends. In August 2021, FSRA also adopted the Mortgage Broker Regulators' Council of Canada National Code of Conduct into its regulatory framework, directing Principal Brokers to ensure that the Mortgage Broker Regulators' Council of Canada Code is reflected in their governance documents and is used to promote high standards of business conduct. In FY2022-2023, FSRA intends to continue to assess governance practices, including as it relates to the adoption of the Mortgage Broker Regulators' Council of Canada Code.

### **Key Deliverables**

- Develop and start executing on a plan to support brokerages in enhancing governance, controls, and internal processes, which would include ensuring effective implementation of the Mortgage Broker Regulators' Council of Canada National Code of Conduct.
- Through industry engagement and additional supervision reviews, identify potential governance challenges that brokerages and Principal Brokers face in effectively working with their brokers and agents, to achieve high standards of conduct and to ensure the fair treatment of consumers.

## Planned Outcomes

- High standards of business conduct resulting from FSRA's strategic engagement with industry. Principal Brokers have the appropriate authority, resources, and supervision programs to promote strong business conduct and mindset among licensees to identify and manage risks to ensure the fair treatment of consumers.
- Clear and consistent communication of FSRA's approach to principles-based regulation and supervision.

# 8. Pension Priorities

## 8.1 Enabling Plan Beneficiaries

### Overview

FSRA will continue to work to ensure appropriate principles-based and outcomes-focused implementation of the regulatory framework while supporting vibrancy and good administration in Ontario's pension sector. This will happen by increasing regulatory efficiency and effectiveness, reducing costs, and facilitating sector evolution (e.g., around plan transactions, transfers, and consolidation). This builds on FSRA's efforts since launch focused on:

- collaboration with other regulators to finalize Canadian Association of Pension Supervisory Authorities guidelines on topics such as leverage risk governance, capital accumulations plans and Environmental, Social and Governance factors
- pilot benchmarking for defined benefit multi-employer pension plans against the leading practices identified in Guidance published in 2021
- execution on key Guidance documents issued since launch: missing members, asset transfer transactions, and marriage breakdown.

FSRA will work with the sector on issues around pension plan member communication and engagement strategies. The goals are to improve outcomes in retirement, support FSRA's statutory objects, promote good administration of pension plans, and protect the pension benefits and rights of plan members within the context of the current legislative and regulatory framework. FSRA will also promote awareness of the value of a pension.

### Key Deliverables

- Consult and engage on a thought-leadership piece on leading practices in member communication and engagement strategies: FSRA would issue a discussion paper, based on evidence and experience of the sector for response.

- In FY2022-2023, begin development of new rules through the existing rule-making powers on Family Law, to act on the findings of the special purpose Technical Advisory Committee in FY2020-2021.
- Support awareness of and provide neutral unbiased information on the value of pensions to plan members, employers and society, including through launching a Pension Awareness Day.

## **Planned Outcomes**

Better educated and knowledgeable members and good pension plan administration through enhanced articulation of FSRA's view of leading practices on member engagement and communications. Adoption of these practices by more pension plan administrators will help support more members' awareness of their benefits, what decisions they must make, and how their benefit rights and entitlements are protected.

## **8.2 Protection of Pension Benefits in Ontario's Pension Sector**

### **Overview**

Since launch, FSRA has taken action to support the protection of pension benefits in Ontario's pension sector. This has included:

- a focus on single employer defined benefit plans where there may be a risk to security of benefits
- work with large public-sector pension plans to monitor and enhance FSRA's supervision of investment risks and understanding of governance and systemic risks in Ontario's largest pension plans
- work on the long-term viability and financial sustainability of the Pension Benefits Guarantee Fund, including enhancing FSRA's predictive analysis.

Moving forward, FSRA will promote transparency of the Pension Benefits Guarantee Fund. FSRA will continue to engage the sector through its existing standing Technical Advisory Committees and Retiree Advisory Panel. Building on its mandate to promote education and

knowledge of the pension sector, FSRA will undertake to better support pension plan beneficiaries with information about their pension benefits and the pension sector.

### **Key Deliverables**

- Develop and consult on a Pension Benefits Guarantee Fund annual performance and financial report to:
  - enhance transparency to stakeholders
  - outline risks and opportunities to support the long-term sustainability of the Pension Benefits Guarantee Fund
  - report on the on-going management of the Pension Benefits Guarantee Fund
- Consult on ways in which FSRA can continue to execute its mandate to protect pension plan beneficiaries. This could include development of a resource center for members. FSRA will engage its standing Technical Advisory Committees to prioritize initiatives. Content development will begin in FY2022-2023.
- Pilot benchmarking for defined benefit multi-employer pension plans against the leading practices identified in Guidance published in 2021 with a view to issue a findings report in 2024.
- Continue to work on developing a common liquidity risk framework for the large public sector pension plans; FSRA expects to analyze results of its pilot liquidity framework over the fall of 2022.
- Continue to participate in the Canadian Association of Pension Supervisory Authorities' Environmental, Social and Governance committee to produce guidance for the pension sector on Environmental, Social and Governance in pension risk management and investment decision-making. FSRA will also engage with the large public sector pension plans on Environmental, Social and Governance investment and risk management practices over FY2022-2023.

## Planned Outcomes

- Pension plan members who are better informed about how the Pension Benefits Guarantee Fund protects their benefits. These activities will provide a common understanding to the pension sector, including retirees, of the Pension Benefits Guarantee Fund, key risks, and FSRA initiatives focused on sustainability of the Fund. This, along with member-focused information, will support awareness and confidence.
- Enhanced confidence in the pension sector, together with a focus on beneficiaries, complements member engagement and efforts to heighten awareness of pensions as an employer-provided benefit to support retirement income in 8.1, will improve FSRA's visibility and credibility in the sector.

# 9. Financial Planners/Financial Advisors

## 9.1 Operationalize the title protection framework for Financial Planners / Financial Advisors

### Overview

The goal of the Financial Professionals Title Protection Framework is to ensure that individuals using the “financial planner” and “financial advisor” titles are appropriately qualified through meeting minimum standards. This will promote confidence and professionalism in the sector and avoid confusion for investors/consumers who may see the titles used without assurance of qualifications and adequate oversight of credentialing bodies who, in turn, monitor conduct.

Under the framework, FSRA will establish:

- minimum standards for Financial Planner/Financial Advisor credentials
- criteria that entities must meet to obtain approval as a credentialing body
- a supervisory framework for the oversight of credentialing bodies

Organizations seeking approval as credentialing bodies under the *Financial Professionals Title Protection Act, 2019* will need to meet certain standards with respect to their curriculum, monitoring of Financial Planner/Financial Advisor title users, compliance, and enforcement.

Under the framework, FSRA will implement procedures to approve credentialing bodies and Financial Planner/Financial Advisor credentials, as well as implement a supervisory approach for the oversight of credentialing bodies and enforcement processes for non-credentialed Financial Planner/Financial Advisor title users.

FSRA will operationalize the title protection framework upon proclamation of the *Financial Professionals Title Protection Act, 2019*.

### Key Deliverables

- Accept applications from entities seeking approval as credentialing bodies under the *Financial Professionals Title Protection Act, 2019* and approve those that meet the minimum standards.

- Execute a consumer education campaign to increase consumer knowledge and awareness of the title protection framework.
- Implement an effective supervisory framework to ensure that credentialing bodies have the necessary policies and procedures in place to protect consumers.

### **Planned Outcomes**

- effective operation as a high-performing regulator by implementing an effective approval process for credentialing body and Financial Planner/Financial Advisor credential applications
- establish an effective framework for monitoring credentialing bodies to ensure they protect customers
- enhanced public confidence in the regulated sector by successfully implementing the framework
- more educated and knowledgeable public and sector through the development of effective industry and consumer education campaigns to support the implementation of the title protection framework

# Performance Measures and Targets

The analysis below provides the linkage from the Plan to planned and visible outcomes. The core measurement outputs and outcomes are focused on the performance of FSRA's Pension, Insurance, Market Conduct and Credit Union divisions. These metrics are a guide to prove the following outcomes and are reflective of FY2020-2021 performance. The ongoing results of these metrics will be presented in future agency Annual Reports. FSRA will continue to monitor and measure the proposed targets. These will be refined for better alignment to the adoption of principal based regulation model in the coming years.

## **Pensions:**

- higher acceptable solvency through protected pension benefits and rights of pension plan beneficiaries
- improving regulatory efficiency and effectiveness to promote good pension plan administration and safeguard the pension benefits and rights of pension plan beneficiaries
- refocusing resources on high-value regulatory activities
- sector more effectively regulated and enhanced confidence in the pension sector

## **Insurance:**

- improved transparency, disclosure and public awareness regarding P&C Insurance in general and auto insurance rates
- improved market health with more efficient regulation through FSRA process reforms that enable market entry, responsiveness, innovation and delivery of value-for-money to consumers

## Market Conduct:

- improved consumer and investor protection
- enhanced efficiency and effectiveness of the licensing regime

## Credit Unions:

- improved protection of member deposits, interests, and confidence and sector stability and minimization of exposure of loss of deposits
- greater public, sector and regulatory confidence in the liquidity and capital resources of the sector
- competitive, stable, and innovative credit unions

## Pensions

### The Metric: Resolution of Pension Plan Inquiries

Transaction Type	Totals Received	Totals Met Service Standard	% Resolved within 45 days FY2020-2021				
			Q1	Q2	Q3	Q4	FY Total
All Inquiries (Member, Industry, General)	4,226	3,629	73%	84%	95%	91%	86%

## Output:

- more timely decisions and efficient communication to sector and plan beneficiaries.
- review and resolve 90% of pension inquiries identified within 45 business days, upon implementation of the service standard.

## Outcomes:

- improved regulatory effectiveness and efficiency, including increased oversight and updated approach and processes beginning in mid-Q2.

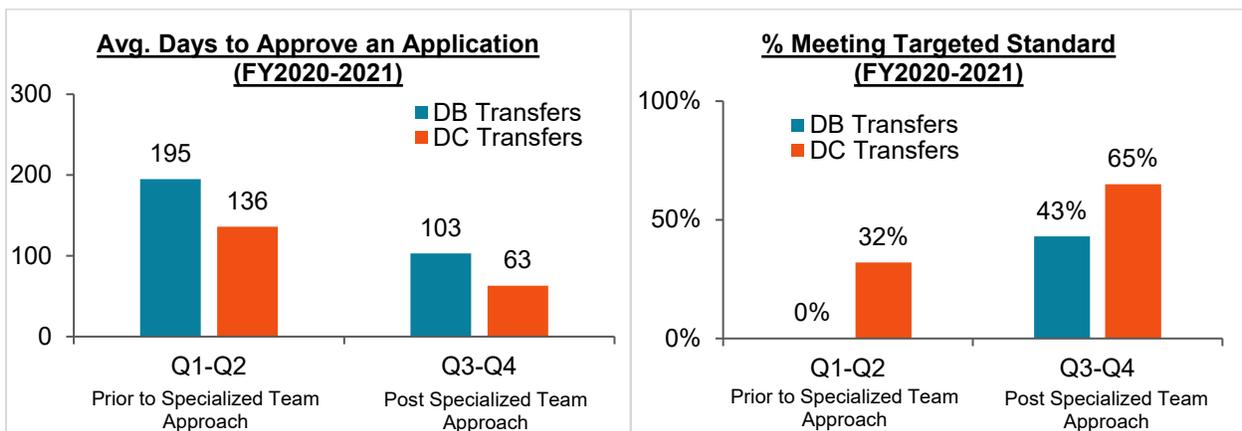
- timely responses providing the sector with requested information and guidance.
- protected pension benefits and rights of pension plan beneficiaries and promoting good pension plan administration.

**Target:**

- years 1 – 3: 90% of pension related inquiries will be reviewed and resolved within 45 business days

FSRA will continue to monitor our progress for year 2 and 3. It is anticipated that improvements delivered from *FSRAForward* will enhance self-guided and automated inquiries opportunities.

**The Metric: Approval of Asset Transfers**



**Output:**

- release of new Guidance document.
- average number of days to approve Asset Transfer Applications steadily decreases during FY2020-2021.
- the percentage of the the service standard being met on each application continues to improve.
- service standards developed and are being operationalized for FY2021-2022

## Outcomes:

- improved regulatory effectiveness and efficiency, including oversight, sector outreach, communication, and processes
- protected pension benefits and rights of pension plan beneficiaries and administrators
- enhanced sector confidence

## Target:

- years 1 – 3: 80% of asset transfer applications will be reviewed and resolved within 105 business days (equivalent 150 calendar days)

FSRA will continue to monitor and refine the targets and specialized team for year 2 and 3. It is anticipated improvements delivered from *FSRAForward* will enhance our approval processes and timelines.

## Insurance

### The Metric: Number of Filings

Type of Filings	FY2020-2021		
	Processed within Service Standard	Total Processed	%
Major rate filings reviewed and decision made within 45 business days	17	24	71%
Standard and Minor filings reviewed and decision made within 25 business days			
a) PPA Standard filings	23	23	100%
b) Non-PPA Minor filings	46	46	100%
Underwriting rules, Endorsement and Form filings reviewed and decision made within 30 business days	115	115	100%

**Output:**

- the majority of filings were completed within service standards
- reorganized workforce addressing the review of insurance filings
- review time of all Rate filings has been reduced by more than 35%

**Outcomes:**

- more timely and informed decisions
- improved transparency, disclosures and public awareness regarding P&C insurance in general and auto insurance rates
- improved regulatory effectiveness and efficiency, including oversight, forms and processes
- improved market health with more efficient regulation through FSRA process reforms that enable market entry, responsiveness, innovation and delivering value-for-money to consumers.

**Target:**

Years 1 to 3:

- 90% Major Rate Filings reviewed and decision made within 45 business days
- 100% of Private Passenger Auto (PPA) Standard filings reviewed and decision made within 25 business day
- 85% of non-PPA Minor Filings reviewed and decision made within 25 business days
- 80% of Underwriting Rules, Endorsement and Form Filings reviewed and decision made within 30 business days.

FSRA will continue to monitor and refine the targets for year 2 and 3. It is anticipated capacities improvements delivered from *FSRAForward* will enhance licensing and registration area.

## Market Conduct

### The Metric: Age of Complaints

Sector Stats	Open Complaints as of	Age of File						
	<u>31-May-20*</u>	1-29 days	30-59 days	60-89 days	90-119 days	120-179 days	180-364 days	365+
<b>Insurance Conduct</b>	92	5	7	3	4	2	4	67
<b>FI &amp; MB Conduct</b>	176	2	6	6	6	7	6	143
<b>Total</b>	268	7	13	9	10	9	10	210
<b>Rates</b>	100%	3%	5%	3%	4%	3%	4%	78%

Sector Stats	Open Complaints as of	Age of File						
	<u>31-Mar-21</u>	1-29 days	30-59 days	60-89 days	90-119 days	120-179 days	180-364 days	365+
<b>Insurance Conduct</b>	68	29	16	5	3	11	1	3
<b>FI &amp; MB Conduct</b>	51	29	12	4	3	3	0	0
<b>Total</b>	119	58	28	9	6	14	1	3
<b>Rates</b>	100%	49%	24%	8%	5%	11%	1%	2%

\*Market Conduct started to track ages of complaints files in May 2020

#### Output:

- open complaints declined significantly
- more timely complaint resolutions

#### Outcomes:

- sectors are more effectively regulated

- improving consumer and investor protection
- enhanced efficiency and effectiveness of the licensing regime
- improved turnaround time for licensing, filing and registration processes
- enhanced regulation and supervision of sectors through a more flexible and efficient approach to complaint assessment and resolution

**Target:**

- years 1 to 3: 80% of complaint files are resolved in 120 days, 95% are resolved in 270 days

FSRA will continue to monitor and refine the targets for year 2 and 3. It is anticipated capacities improvements deliver from *FSRAForward* will enhance licencing and registration area.

**Credit Unions**

**The Metrics:**

- supervisory letters (and interim supervisory letters) issued to credit unions in a timely way (e.g. 90 days) after completion of an assessment
- completed assessments as a % of the approved annual supervisory plan
- credit union transactions requiring regulatory approval processed in a timely way (e.g. 30 business days) after all required information received

**Output:**

- accurate and consistent assessments of credit union risk profiles
- timely approvals reduce regulatory burden

**Outcomes:**

- improved protection of member deposits, interests, and confidence and sector stability
- minimization of exposure of loss of deposits

- greater public, sector and regulatory confidence in the liquidity and capital resources of the sector
- competitive, stable, and innovative credit unions
- maintained high standard of service

**Target:**

Years 1 to 3:

- 90% of supervisory letters (and interim supervisory letters) issued to the Credit Union within 90 days after completed assessment
- 100% assessments completed as part of the approved annual supervisory plan
- 90% of applications processed within 30 business days of receiving all required information

Data collection and reporting will commence in FY2022-2023.

**Service Standards**

FSRA’s priorities will continue to deliver positive outcomes by improving:

- regulatory efficiency and effectiveness
- stakeholders’ regulatory experience
- safety, fairness and choice for consumers in Ontario

A core foundation of FSRA’s activities is aligning them with principles-based and outcomes-focused regulation.

In addition to the measurable outputs associated with the activities and priorities outlined in this plan, each priority has clearly stated desired outcomes. This is an important step in developing quantifiable outcome measures for all FSRA activities.

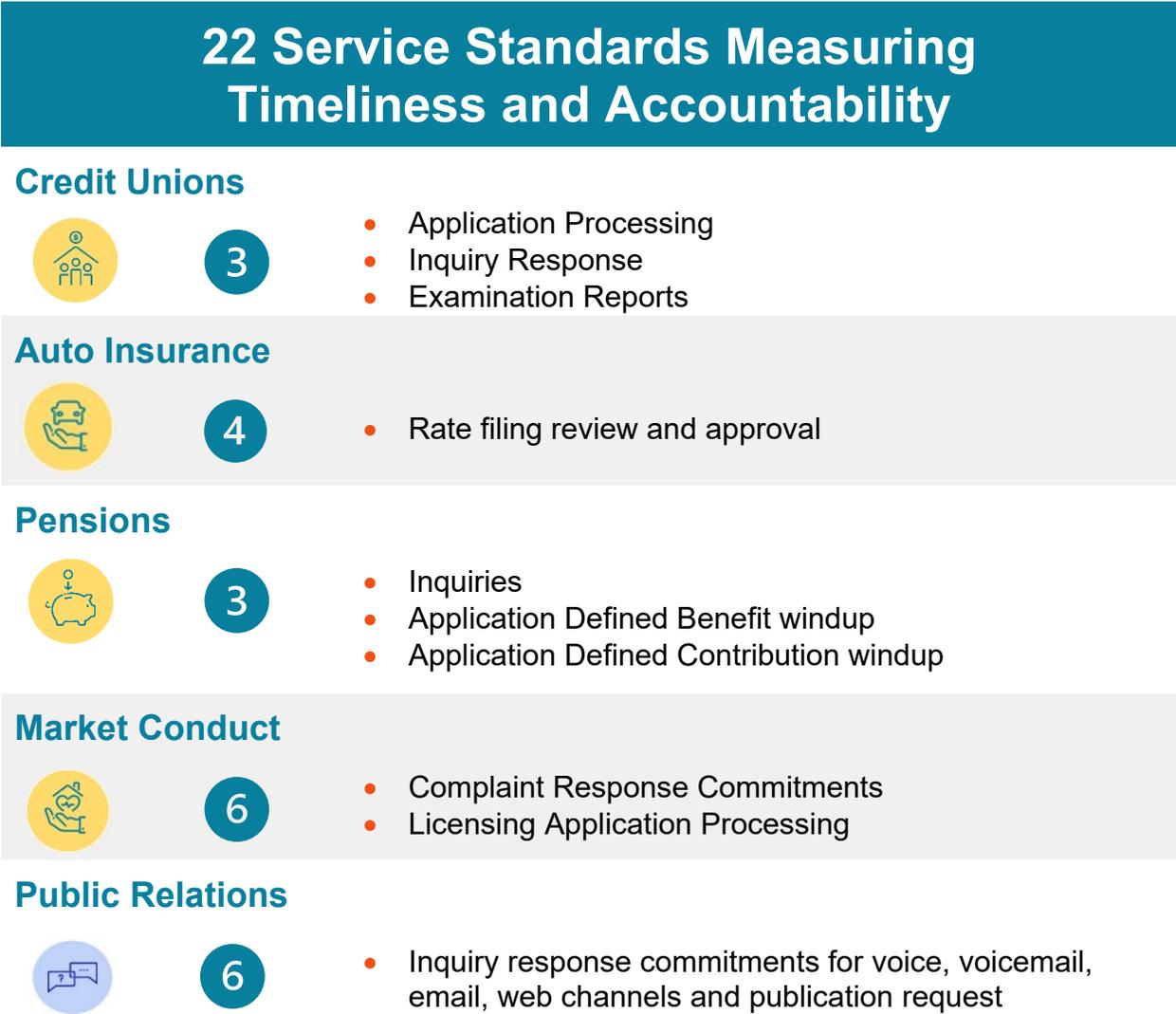
From a more operational perspective, FSRA’s goal is to create clear service expectations. In FY2020-2021, FSRA developed new performance measures and targets that meet FSRA’s service standard principles and drive our desired outcomes. FSRA’s service standards increase transparency and accountability for the delivery of regulatory activities.

FSRA is committed to developing and implementing service standards that support responsive processing of regulatory matters within an effective timeframe. The principles that will guide future standards include accountability, effectiveness, efficiency, adaptability, collaboration and transparency.

To deliver on this priority, FSRA conducted a review to identify high-priority services that need standards. Internal teams assessed each service to determine the factors that affect delivery to appropriately set meaningful targets for each standard. The targets set a measurable level of performance when delivering a service under normal conditions (i.e., expected level of demand for regular day-to-day operations).

Alongside a public consultation, in October 2020 FSRA launched 22 service standards measuring timeliness and accountability (Figure 3). FSRA collected feedback and, where practicable, revised the standards and/or targets (Appendix B). Service standard performance against targets have been reported quarterly since quarter three of FY2020-2021.

**Figure 3: Number of FSRA Service Standards by Sector, 2021**



These performance measures and targets will be published, tested, revised and improved periodically. This review will apply to the annual business plan process and the associated priorities, as well as the operational service standards. During service standard reviews, the standards will be fully assessed. This may result in augmentations and/or deletions to support delivery of meaningful and cost-effective information. The first review of the service standards will take place in early FY2022-2023.

# Risk Identification, Assessments and Mitigation Strategies

FSRA's Enterprise Risk Management framework is implemented using the Three Lines Model<sup>19</sup>. The risk owners are the First Line, covering risk identification, assessment, and mitigation to manage risks within allowable tolerance levels. The risk management function is the Second Line, performing oversight, monitoring, and reporting of risks. The Third Line, Internal Audit, provides independent assurance on FSRA's practices, governance, risk management, and internal controls.

FSRA's Risk management function is supervised at both the Executive and Board levels, through the Risk Management Committee, and the Governance Committee of the Board. In FY2020-2021, FSRA established its Risk Appetite Statement. This guides FSRA in delivering its mandate and fulfilling its strategic goals while taking on acceptable risks. To operationalize the Risk Appetite, FSRA regularly monitors its risk profile in line with its risk appetite. Risk profiles are tracked and presented at Risk Management Committee meetings for executive review and to the Governance Committee of the Board. FSRA reviews the Risk Appetite, at least annually or as necessary, to ensure its appropriateness.

FSRA's Enterprise Compliance program is continuously enhanced to ensure adherence to applicable legislation, regulations, and directives. It is implemented through well-drafted policies, awareness and training, compliance attestations, regulatory scan, and continuous monitoring of functional areas.

FSRA's Privacy Risk Management has been strengthened through the enterprise-wide Privacy Impact Assessment, developing the Privacy Breach Reporting Plan, and awareness and training. FSRA evaluates projects that involve the collection, use and/or disclosure of personal information to ensure compliance with the Freedom of Information and Protection of Privacy Act.

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<sup>19</sup> For more details, please refer to "Three Lines Model" by The Institute of Internal Auditors

Moving forward, FSRA continues to optimize its Enterprise Risk Management Framework along with relevant risk tools to align with its strategic direction and adapt to the changing risk environment.

Overall, FSRA is closely monitoring the major risks identified in Table 1. In response, FSRA has developed mitigation plans to ensure that these risks are properly addressed.

**Table 1: FSRA’s Major Risks**

**Legend:** Improving  Stable  Deteriorating 

Risk Title	Risk Rating	YoY Trend**	Mitigation
<b>1. Sustainability of funds</b>			
<p>Insufficient Deposit Insurance Reserve Fund (DIRF)</p> <ul style="list-style-type: none"> <li>Risk that the DIRF will be insufficient to pay insured depositors if a credit union, or a number of credit unions become insolvent .</li> </ul>	Medium-High		<p>The DIRF is managed as a segregated fund. The DIRF Advisory Committee (a sub-committee of the Board) has oversight of the funds.</p> <p>FSRA has enhanced the DIRF adequacy assessment methodology.</p> <p>FSRA closely monitors risks, liquidity and capital ratios at all credit unions, through the information returns and examinations, and intervenes when necessary.</p>
<p>Limited access to emergency liquidity funding for credit unions</p> <ul style="list-style-type: none"> <li>Risk of not having established adequate emergency liquidity access for credit unions in times of crisis due to legislative impediments.</li> </ul>	Medium		<p>The additional \$2 billion line-of-credit (not permanent agreement) with Ontario Financing Authority (OFA) is available for use, which better enables FSRA to provide emergency liquidity to otherwise viable credit unions experiencing short-term liquidity stress, thus maintaining stability and confidence.</p> <p>There is a Memorandum of Understanding with the British Columbia (BC) Financial Services Authority for the exchange of data.</p> <p>FSRA has published the Recovery Planning Guidance to help credit unions increase their resiliency, reducing the likelihood of their failure.</p> <p>Work is underway with Bank of Canada (BoC), Payments Canada, and Ministry of Finance to explore how Ontario credit unions can obtain direct access to BoC’s facilities.</p>

<p>Insufficient Pension Benefits Guarantee Fund (PBGF)</p> <ul style="list-style-type: none"> <li>• Risk of an insufficient PBGF to cover claims arising from a Single-Employer Defined Benefit Pension Plan (SEPP) funding deficit and insolvency of Plan Sponsor(s), at the same time.</li> </ul>	<p>Medium-High</p> 	<p>FSRA continues focusing on the prudential supervision of SEPPs for early risk identification, monitoring and engagement, to minimize the potential claims to the PBGF.</p> <p>FSRA promotes good risk management and governance of assets in the PBGF, including stress testing, use of conservative margins, and appropriate investment strategy.</p> <p>FSRA is building in-house predictive analytic capabilities to better assess the potential PBGF risk exposures.</p>
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## 2. Organizational maturity challenges

<p>Legacy: Unsupported software &amp; technology stack and legacy domains</p> <ul style="list-style-type: none"> <li>• Risk that key business applications are running an unsupported technology stack, security patches are unavailable, and applications run into issues that cannot be resolved in a timely manner.</li> </ul>	<p>Medium</p>	<p>FSRA has developed a <i>FSRAForward</i> (formerly known as Digital Transformation) blueprint, which aligns processes, data, technology, and stakeholder interactions with FSRA's vision and priorities. This blueprint proposes a phased approach to investment, ensuring appropriate oversight and risk mitigation. The <i>FSRAForward</i> program is expected to replace the legacy applications by 2025.</p> <p>IT Service Management, Vulnerability Management, Disaster Recovery Plan, and regular data backup are in place, serving as compensating controls.</p> <p>Modernization efforts to reduce operational and security risks, improve productivity, and reduce technical debt continue.</p>
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<p>Cybersecurity</p> <ul style="list-style-type: none"> <li>• Risk that FSRA's systems are breached or compromised, which may lead to the theft of information and/or impairment of FSRA's ability to sustain IT operations.</li> </ul>	<p>Medium</p> 	<p>FSRA is implementing a multi-year cybersecurity program including governance, service delivery model, and a roadmap with detailed steps to improve and maintain its adequate cybersecurity posture.</p> <p>As part of the cybersecurity program, FSRA has developed the Cybersecurity Incident Response Plan and related playbooks, supplemented by table-top exercises to evaluate effectiveness.</p>
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Regulatory & Cultural Transformation

Medium 

- Risk that FSRA needs to transform the regulatory frameworks and organizational culture it inherited, through an aggressive set of transformative priorities, while continuing to provide effective and efficient day-to-day regulation with limited resources.

In addition to setting and monitoring progress against transformational priorities (as set forth in its annual business plans), FSRA has developed service standards, which include target and stretch metrics. The standards are set in line with FSRA’s key priorities and existing resources, enabling FSRA to deliver its committed regulatory services while continuing to transform.

To fulfill its commitments to regulatory effectiveness and burden reduction, FSRA is working closely with the Ministry of Finance to review and modernize several sector statutes (e.g., Credit Union and Caisses Populaires Act (CUCPA) and Mortgage Brokerages, Lenders and Administrators Act (MBLAA)). FSRA is also strengthening stakeholder collaboration, both with sectors and consumers, to foster an effective and innovative regulatory environment.

To facilitate the cultural transformation, FSRA continues to implement its strategic initiatives that support the wellness and culture advancement of its workforce and invest in learning and development.

**3. Emerging risks associated with COVID-19**

Macroeconomic & Systemic \*\*\*

Medium-High \*\*\*

- Risk that the economic downturn brought about by a crisis (e.g., the pandemic) may threaten the financial soundness and stability of regulated entities in FSRA’s regulated sectors.

FSRA places strong focus on improving effective governance and risk management in the regulated sectors via enhanced monitoring, reporting and early warning systems.

FSRA is closely monitoring the financial soundness and stability of entities in its regulated sectors, through its supervisory efforts.

Operational Resilience

Medium 

- Risk of service disruption due to events such as pandemic, cybersecurity, physical disaster, and systemic risk events.

The Business Continuity Management Policy (BCMP) is in place to manage operational disruption risks.

To operationalize the BCMP, FSRA has developed the Crisis Management Guideline, which includes five playbooks to provide guidelines in disruptive situations:

- Pandemic Plan Playbook (completed)

- Cyber Security Incident Response Plan (completed)
- Systemic Risk Playbook (completed)
- Physical Disaster Playbook (completed)
- Individual Cyber Security Playbooks (to be completed by March 2022)

\*\* Year-over-year Trend

\*\*\* Last year, we reported a deteriorating trend for macroeconomic & systemic risk due to the pandemic. The year-on-year trend is now stable.

# Financial Information

The FY2022-2023 FSRA budget was developed to support FSRA's mandate to be an empowered, principles-based regulator. It enables FSRA to fulfill its regulatory requirements and address its key priorities in its fourth year of operations.

The schedule below presents FSRA's Board-proposed budget for April 1, 2022 to March 31, 2023, a comparison to the prior year, and plans for the next two fiscal periods.

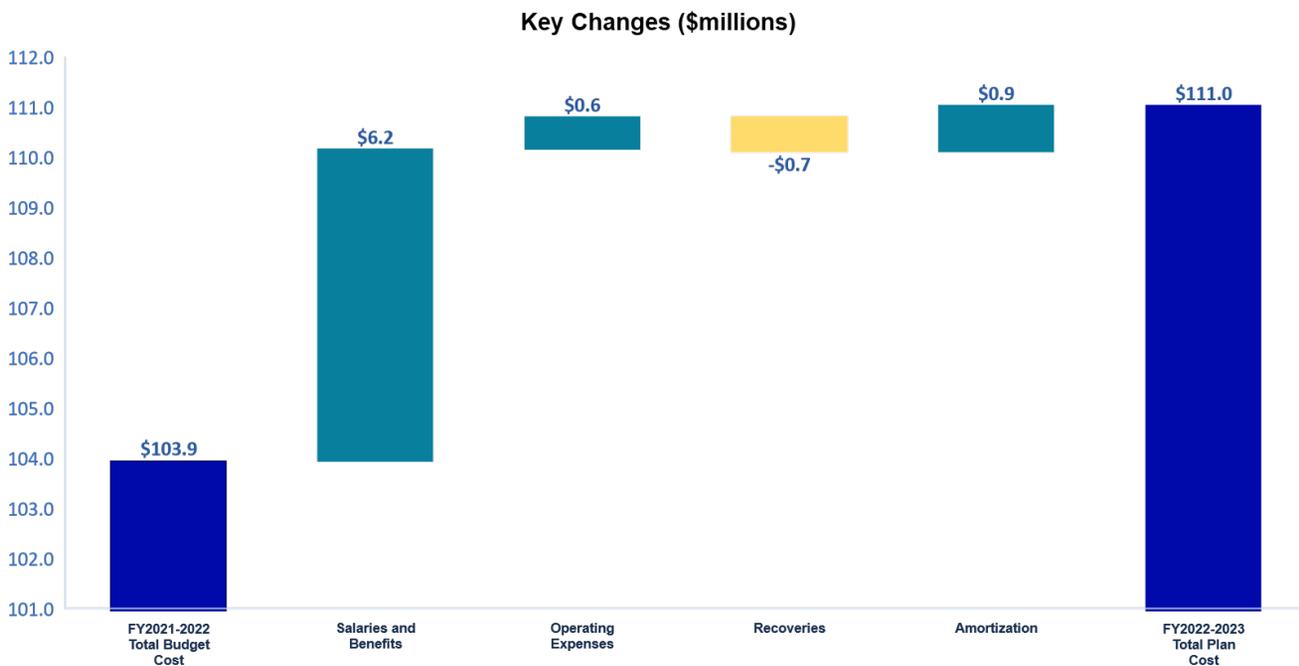
(\$000's)	FY2021-2022 Budget	FY2022-2023 Proposed Budget	FY2023-2024 Plan	FY2024-2025 Plan
Activity Fees	8,954	12,004	12,000	12,800
Fee Assessment	77,272	76,864	87,000	88,700
Licensing Fees	12,332	16,986	16,400	16,600
Other*	1,503	178	200	-
<b>Total Revenue</b>	<b>100,061</b>	<b>106,033</b>	<b>115,600</b>	<b>118,100</b>
<i>YoY change</i>		6.0%	9.0%	2.2%
Direct Costs	58,489	63,558	64,600	65,300
Common Costs	45,454	47,475	51,000	52,800
<b>Total Costs</b>	<b>103,943</b>	<b>111,033</b>	<b>115,600</b>	<b>118,100</b>
<i>YoY change</i>		6.8%	4.1%	2.2%
Recovery Over /(Under)	(3,882)	(5,000)	(0)	-
Funding from Cumulative Surplus	3,882	5,000	0	-
<b>Net Balance</b>	-	-	-	-

\*Auto product subsidize for HSP fixed fee revenue shortfall

The FY2021-2022 budget is the Board-approved 12-month budget and is presented for comparison purposes. As of October 2021, FSRA is forecasting a favourable \$5-\$8 million variance to the FY2021-2022 budget, largely due to a number of human capital vacancies and technology savings as well as stronger Mortgage Broker and other licensing revenue. Following confirmation of the variance through external audit FSRA will determine if future sector assessments can be reduced from plan.

### FY2022-2023 Board-proposed Budget

FSRA proposes a \$111.0 million cost budget for FY2022-2023 to achieve its mandate and stated priorities (please see Appendix E for financial assumptions). The chart below presents the net increase of budgeted costs compared to the FY2021-2022 cost budget.



To deliver on its priorities and other regulatory responsibilities (including new ones such as overseeing financial planner/financial advisor credentialing bodies), FSRA will invest an additional \$4.1 million in human capital resources in FY2022-2023. This investment will improve FSRA’s capabilities in sectoral and functional expertise. Executive leadership have identified specific regulation/supervisory areas that require resourcing. FSRA will increase investments to close regulatory gaps and prepare for new regulatory activities. These investments are offset by cost efficiencies of \$1.2 million through automation of back-office

processes, improved processes and adopting risk-based regulation practices. This is re-invested to:

- deliver guidance in response to the pandemic and reallocate resources to monitor the industry's response to the guidance
- create new Life & Health Technical Advisory Committee (TAC) to increase regulatory effectiveness of segregated funds
- enhance the licensing approval framework
- accommodate the increasing volume in Insurance and Mortgage Agent license applications

In addition to the comment above, there will be a \$2.1 million increase from mandatory collective agreement increases and non-union Bill 124 increases.

The \$0.6 million increase in operating expenses is primarily due to investment in external expertise for Credit Union examination, Risk-Based Supervisory Framework (RBSF) and specialized training to the supervisory team, as well as investment in insurance supervision subject matter expert for implementation of RBSF, partially offset by a reduction of one-time investments made in FY2021-2022.

Higher third-party cost recoveries of \$0.7 million, are primarily due to increase in recoveries from Pension Benefits Guarantee Fund and the National Regulatory Coordination branch.

Amortization increased by \$0.9 million. This is primarily due to *FSRAForward* investment of \$9.1M to be recovered over 5 years. Total amortization in FY2022-2023 is \$3.7M and an increase of \$1.6M from FY2021-2022 budget.

The *FSRAForward* expenditure of \$9.1 million planned for FY2022-2023 is a significant IT system investment that is focused on sector burden reduction and efficiencies in the future. The non-GAAP deferral of technology investment expenses is incurred in the current year but charged to sectors over five years to match the costs and benefits. This results in a \$7.3 million deferral. The investment will provide benefits to sector participants by:

- optimizing and streamlining data and filing collection
- improving licensing and registration capabilities

- continue streamlining approval processes and improving associated service levels with additional transparency on status of requests and responses to inquiries
- Improving service levels and transparency on status of requests for approvals and responses to inquiries
- providing upfront validation of data inputs to avoid resubmissions
- providing access to self-service reporting, live risk dashboards and overall enhancing access to available data
- enhancing the ability for FSRA to respond quickly to changing business needs and regulatory changes, and to support expanded business opportunities / innovation
- updating regulatory systems to support transition to principle-based regulation and risk-based supervisory framework
- greater clarity of impact of business opportunities/innovation on the public and consequently the ability to permit, monitor and support sustainable and desired product/business improvements

FSRA plan proposes total sector revenues showing a net increase of 6.0% or \$6.0 million over the FY2021-2022 budget. The variable sectors fee assessment component of these total revenues decreases by 0.5% after accounting for the anticipated increase in revenues for fixed fee/activity fees. The sectors assessment remains relatively unchanged by crediting \$5 million of cumulative surplus and \$1.6 million from Mortgage Broker revenue overage back to the sectors in FY2022-2023.

Sector (\$000's)	Insurance								Pensions (Fixed and Variable)	Credit Unions (Variable)	Mortgage Brokers (Fixed)	Loans & Trusts (Variable)	Financial Advisor & Financial Planner	Total
	Auto Products	Health Service Providers (Fixed)	P&C Conduct	P&C Prudential Regulation	Total Auto/HSP/ P&C	Life & Health Conduct (Variable)	Life & Health Conduct (Fixed)	Total Life & Health						
<b>FY2022-2023 Revenue</b>														
Activity Fees		3,799	1,273		5,071		6,638	6,638					295	12,004
Fee Assessment	16,282		8,750	1,967	26,999	7,118		7,118	25,021	17,109		126	668	77,042
Licensing Fees					-			-			16,986			16,986
<b>FY2022-2023 Proposed Rev</b>	<b>16,282</b>	<b>3,799</b>	<b>10,023</b>	<b>1,967</b>	<b>32,071</b>	<b>7,118</b>	<b>6,638</b>	<b>13,756</b>	<b>25,021</b>	<b>17,109</b>	<b>16,986</b>	<b>126</b>	<b>963</b>	<b>106,033</b>
Direct Cost	9,916	2,158	6,172	1,212	19,458	4,383	3,772	8,155	15,406	11,147	8,719	78	593	63,557
Common Cost	7,713	1,640	4,689	919	14,962	3,330	2,866	6,196	11,708	7,476	6,624	59	451	47,475
<b>FY2022-2023 Cost</b>	<b>17,629</b>	<b>3,799</b>	<b>10,861</b>	<b>2,132</b>	<b>34,421</b>	<b>7,713</b>	<b>6,638</b>	<b>14,351</b>	<b>27,114</b>	<b>18,624</b>	<b>15,343</b>	<b>136</b>	<b>1,044</b>	<b>111,033</b>
Expected Fixed Fee Over Contribution to Common Costs	(333)	-	(207)	(41)	(581)	(147)	-	(147)	(518)	(375)	1,643	(3)	(20)	-
Recovery Over/(Under)	(1,014)	-	(631)	(124)	(1,769)	(448)	-	(448)	(1,575)	(1,140)	-	(8)	(61)	(5,000)
<b>Funding from Cumulative Surplus</b>	<b>1,014</b>	<b>-</b>	<b>631</b>	<b>124</b>	<b>1,769</b>	<b>448</b>	<b>-</b>	<b>448</b>	<b>1,575</b>	<b>1,140</b>	<b>-</b>	<b>8</b>	<b>61</b>	<b>5,000</b>
<b>FY2021-2022 Budget Revenue</b>	<b>19,360</b>	<b>3,327</b>	<b>10,234</b>	<b>524</b>	<b>33,444</b>	<b>4,395</b>	<b>5,627</b>	<b>10,023</b>	<b>26,105</b>	<b>15,551</b>	<b>12,332</b>	<b>106</b>	<b>2,500</b>	<b>100,061</b>
<b>Revenue Variance</b>	<b>(3,077)</b>	<b>472</b>	<b>(211)</b>	<b>1,442</b>	<b>(1,374)</b>	<b>2,722</b>	<b>1,011</b>	<b>3,733</b>	<b>(1,084)</b>	<b>1,558</b>	<b>4,655</b>	<b>20</b>	<b>(1,537)</b>	<b>5,972</b>
<b>Favourable/(Unfavourable)</b>	<b>-15.9%</b>	<b>14.2%</b>	<b>-2.1%</b>	<b>275.0%</b>	<b>-4.1%</b>	<b>61.9%</b>	<b>18.0%</b>	<b>37.2%</b>	<b>-4.2%</b>	<b>10.0%</b>	<b>37.7%</b>	<b>19.0%</b>	<b>-61.5%</b>	<b>6.0%</b>
<b>FY2021-2022 Cost</b>	<b>19,974</b>	<b>3,327</b>	<b>10,586</b>	<b>542</b>	<b>34,428</b>	<b>4,546</b>	<b>5,627</b>	<b>10,174</b>	<b>27,003</b>	<b>16,132</b>	<b>13,597</b>	<b>109</b>	<b>2,500</b>	<b>103,943</b>
<b>Cost Variance</b>	<b>2,344</b>	<b>(472)</b>	<b>(276)</b>	<b>(1,589)</b>	<b>8</b>	<b>(3,166)</b>	<b>(1,011)</b>	<b>(4,177)</b>	<b>(111)</b>	<b>(2,492)</b>	<b>(1,746)</b>	<b>(27)</b>	<b>1,456</b>	<b>(7,090)</b>
<b>Favourable/(Unfavourable)</b>	<b>11.7%</b>	<b>-14.2%</b>	<b>-2.6%</b>	<b>-292.9%</b>	<b>0.0%</b>	<b>-69.6%</b>	<b>-18.0%</b>	<b>-41.1%</b>	<b>-0.4%</b>	<b>-15.4%</b>	<b>-12.8%</b>	<b>-24.7%</b>	<b>58.3%</b>	<b>-6.8%</b>

## **2023-2024 Plan**

The FY2023-2024 plan indicates expenses \$4.6 million higher than the FY2022-2023 plan. Salaries and benefits will increase by \$2.2 million due to anticipated requirements of the collective agreements.

The amortization expense increase of \$2.7 million is primarily driven by \$11.7M *FSRAForward* investment in FY2023-2024, this resulted in a deferral of \$9.4M (see chart on page 64). Through the implementation of workflow management, data access and automated license application/renewal validation and license issuance processing, *FSRAForward* will realize the efficiencies in licensing and registration areas in the Mortgage Brokers, Health Service Providers and P&C Insurance sectors. This will be re-invested to increase service level improvement and consumer protection within the same sectors. FSRA's planned revenues are commensurate with its expected expenses including expected efficiencies gained from implementation of *FSRAForward*.

## **2024-2025 Plan**

The FY2024-2025 plan indicates expenses \$2.5 million higher than the FY2023-2024 plan. Salaries and benefits will increase by \$1.2 million due to anticipated requirements of the collective agreements.

The amortization expense increase of \$1.4 million is primarily due to the amortization of core regulatory *FSRAForward* in current and prior years (see chart on page 64). Through the core regulatory *FSRAForward* implementations, FSRA will realize efficiencies in filings and approval capacities for Credit Unions and Pensions. FSRA will re-invest to address quicker turnaround of complaints, disciplinary actions and escalating applications and continue efforts to increase service level improvements.

## **Capital**

### **Asset Investment**

The FSRA capital program is aligned with the strategy of reducing regulatory burden and improving the effectiveness of regulation. Consistent with FSRA's priorities, significant investments in technology and processes are included. FSRA's FY2021-2022 priorities include reviewing legacy guidelines, processes and technology that FSRA has inherited. Therefore, FSRA expects the capital program to evolve

significantly as it determines a more detailed strategy and plans for a technology-enabled regulatory transformation.

(\$000's)	FY2021-2022 Projection	FY2022-2023 Proposed Budget	FY2023- 2024 Plan	FY2024- 2025 Plan
Software	430	185	185	185
Computer hardware	503	885	885	885
<b>Capital Assets - In Year/Prior Years</b>	<b>933</b>	<b>1,070</b>	<b>1,070</b>	<b>1,070</b>

## Capital Operating Investment

FSRA will be making significant investments in the core system *FSRAForward* over the next few years. There will be a recovery of this investment from the sectors over a rolling five-year period, with amortization peaking in FY2024-2025, at \$7.2 million. The schedule below estimates the FY2022-2025 investment in *FSRAForward* and how it will be recovered from the sectors through budgeted costs.

(\$000's)	FY2021-2022 Projection	FY2022-2023 Proposed Budget	FY2023-2024 Plan	FY2024-2025 Plan
<b>Operating Investments</b>				
<i>FSRAForward</i>	6,511	9,071	11,727	5,500
<b>Amortization</b>				
From F2020-21	628	628	628	628
From F2021-22	1,302	1,302	1,302	1,302
From F2022-23	-	1,814	1,814	1,814
From F2023-24	-	-	2,345	2,345

From F2024-25	-	-	-	1,100
<b>Total Amortization</b>	<b>1,930</b>	<b>3,745</b>	<b>6,090</b>	<b>7,190</b>

## Cash Flow and Borrowings

The following chart illustrates FSRA's cash flow and borrowings through FY2024-2025. The cash flow statements reflect the funding provided through the Minister of Finance /Ontario Financing Authority for start-up and other identified requirements, including capital funding, and is illustrated below.

(\$000's)	FY2022-2023 Proposed Budget	FY2023-2024 Plan	FY2024-2025 Plan
Cash inflow from operations	\$ 7,702	\$ 12,938	\$ 14,213
Operating investments	(9,071)	(11,727)	(5,500)
Capital investments	(1,070)	(1,070)	(1,070)
	(10,141)	(12,797)	(6,570)
Net increase / (decrease) in borrowing	(3,641)	(3,641)	(3,641)
<b>Net decrease in cash flows</b>	<b>(6,080)</b>	<b>(3,500)</b>	<b>4,002</b>
Cash balance - beginning of year	75,249	69,169	65,669
<b>Cash balance - end of year</b>	<b>\$ 69,169</b>	<b>\$ 65,669</b>	<b>\$ 69,671</b>

The ending cash balances above reflect the collection of fees in advance of the start of the next FY (i.e., fees for a FY will be collected in February/March before the FY begins).

Debt repayment is amortized over 17 to 20 years with the objective that all loans mature in approximately 20 years from June 2019 at interest rates between 2.8% and 3.4%. The following table summarizes borrowings. FSRA intends to draw down the remaining \$3 million debt facility by the end of FY2021-2022. FSRA does not intend to make early debt repayments.

(\$000's)		
Initial Loan Draw	\$27,000	
Additional draw by March 31, 2019	13,000	
Loan draw at March 31, 2019	40,000	Amortized over 20 years
FY2019-2020 Draw	6,853	Amortized over 19 years
FY2020-2021 Draw	4,500	Amortized over 18 years
Anticipated FY2021-2022 Draw	3,000	Amortized over 17 years
<b>Total</b>	<b>\$54,353</b>	

# Investing in People and Talent

## Staffing Information

FSRA is committed to building a consistently positive employee experience and fostering a strong principles-based and inclusive culture. Comprehensive human resources policies, approaches and supports will continue organizational development. This will help FSRA to attract and retain talented, engaged and energized staff aligned with the organization’s vision and values.

Fiscal	FY2021-2022	FY2022-2023	FY2023-2024	FY2024-2025
Planned FTEs	558	577	581	581

## Staffing, Human Resources, and Compensation Strategy

FSRA continues to build and deliver human resources (HR) programs and services to support its transformative people strategy in alignment with the business strategy and priorities.

Key initiatives include:

### Evolve Culture

- Developing and operatizing HR programs that measure and build employee engagement
- Creating a cross-functional committee that champions and supports diversity, inclusion and equity initiatives
- Placing an overall focus on developing a collaborative and innovative culture

### Attract Talent

- Developing and refining recruitment processes, including branding and visual identity

- Further develop an approach to succession planning for leadership and hard to fill positions
- Providing a comprehensive onboarding program
- Operationalizing a learning and development framework and programs to align with organizational priorities

## **Building Strong Foundations**

- Developing a bargaining strategy for the first round of FSRA collective agreements tentatively planned for early 2022 (Ontario Public Service Employee Union) and spring/summer (Administrative and Professional Crown Employees of Ontario).
- Further enhancing our health and safety and wellness programs.
- Developing a Workday (Workday is a financial and human capital management software) roadmap for Human Capital Management, Payroll, Talent, Learning and Recruitment enhancements, and developing a new functionality in alignment with the strategic priority to modernize systems and processes across the enterprise.

## **Compensation Strategy and Summary of Staffing Numbers**

For non-union and management staff, FSRA has a salary administration policy and guidelines based on five principles:

- fiscal responsibility, governance, compliance with all applicable legislation and accountability
- alignment with organizational mandate, strategic directions and values;
- value of the total compensation package
- external competitiveness and internal equity
- consistency balanced with flexibility in compensation program design and application

FSRA determines compensation for designated executives in accordance with the *Broader Public Sector Executive Compensation Act, 2014* (BPSECA) and FSRA's Executive Compensation Framework, approved pursuant to the BPSECA in 2018.

A benchmarking exercise comparing our positions against same or similar positions in other broader public sector organizations, and establishing compensation levels for those executive positions, was completed prior to launch when establishing the Executive Compensation Framework.

In accordance with Bill 124, *Protecting a Sustainable Public Sector for Future Generations Act, 2019*, FSRA's three-year moderation period for management/excluded staff started in FY2019-2020 and will continue to the end of FY2021-2022. FSRA will engage in bargaining with both bargaining units between FY2021-2022 and will prepare to implement the three-year moderation period at that time.

In addition to its compensation programs, FSRA provides a traditional suite of benefits to its full-time equivalents and to casual (part-time) employees that meet specific thresholds. These benefits are 100 per cent employer paid. Additionally, employees are eligible to participate in a suite of optional benefits at their own expense. FSRA also offers programs for short- and long-term disability as well as a comprehensive Employee & Family Assistance Program.

FSRA has a headcount<sup>20</sup> of 590 positions (Table 3). This includes active staff plus position vacancies that FSRA expects to fill during the fiscal calendar year. Staff include management, non-union and bargaining-represented employees (the latter accounts for approximately 70 per cent of the workforce) both permanent and fixed-term contract (full-time and part-time).

As a result of the transfer of Financial Services Commission of Ontario from Ministry of Finance, FSRA inherited Ontario Public Service collective agreements due to successor rights. With consolidation, FSRA now has two collective agreements: Ontario Public Service Employees Union and the Association of Management, Administration and Professional Crown Employees of Ontario.

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<sup>20</sup> Headcount refers to the number of employees working in a company. With headcount, each individual counts as "one," regardless of the number of hours worked. FTE stands for full-time equivalent and refers to the number of hours considered full-time.

**Table 3: Workforce Management (Data as of Jan 28, 2022)**

<b>Total Headcount</b>	<b>2021/22 Headcount</b>
Auto/Insurance Products	34
Credit Union and Prudential	41
Market Conduct	138
Pensions	80
Legal and Enforcement	51
Policy	65
Public Affairs	38
Project Management Office	19
Finance	36
Human Resources	20
Information Technology	49
Risk Management	9
Office of the CEO	10
<b>Grand Total</b>	<b>590</b>

# Initiatives Involving Third Parties

FSRA is a participating member of the following forums:

- Canadian Automobile Insurance Rate Regulators (CARR)
- Canadian Association of Pension Supervisory Authorities (CAPSA)
- Canadian Council of Insurance Regulators (CCIR)
- Canadian Insurance Services Regulatory Organizations (CISRO)
- Credit Union Prudential Supervisors Association (CUPSA)
- International Association of Insurance Supervisors (IAIS)
- Sustainable Insurance Forum (SIF)
- International Consumer Protection Organisation (ICPO)
- General Insurance Statistical Agency (GISA)
- Global Financial Innovation Network (GFIN)
- Joint Forum of Financial Market Regulators (Joint Forum)
- Mortgage Broker Regulators' Council of Canada (MBRCC)

Through these forums, FSRA works with other regulators on policies and rules that:

- are integrated and more effective in achieving consumer protection public policy outcomes
- enhance the protection of consumers of financial products and services, and the effective implementation of financial consumer protection frameworks, by promoting robust and effective supervisory standards
- promote innovation and economic growth by encouraging new business models that support changing consumer preferences, technology changes, and new entrants to the Ontario market
- enhance regulatory cooperation and reduce redundancies

FSRA's National Regulatory Coordination Branch supports these outcomes by:

- providing secretariat services to CAPSA, CCIR, CISRO, GISA and MBRCC
- working collaboratively with the secretariat of the Canadian Securities Administrators on the activities of the Joint Forum
- supporting industry strength and stability across participating jurisdictions

Through these bodies, FSRA is engaged in several initiatives with third parties including, but not limited to, the following examples:

### **CCIR Annual Statement on Market Conduct (ASMC) Database**

ASMC was introduced by CCIR to collect information from insurers across Canada related to their governance, practices, policies and treatment of customers. The information collected has facilitated a better understanding of the market for regulators and assisted in proactively identifying potential risks to ensure insurance customers are being treated fairly.

Through a service agreement with CCIR members, the Autorité des marchés financiers acts as service provider with regard to the receipt, storage, aggregation and reporting of market conduct data collected through ASMC.

### **CCIR/CISRO/MBRCC Disciplinary Actions Databases**

Publicly accessible disciplinary action databases supported by CCIR, CISRO, and MBRCC enable consumers and regulators to search for records related to individuals and firms that have been the subject of enforcement by insurance and mortgage broker regulators in Canada

FSRA is a member of CCIR, CISRO and MBRCC, with FSRA representatives serving on the executive committee of these the organizations. FSRA is well positioned to monitor/evaluate the performance and to assess the continuing alignment of these third-party initiatives with FSRA's regulatory objectives.

### **FSRA/Canada Revenue Agency Pension Plan Joint Filing Agreement**

The Pension Plan Joint Filing Agreement between FSRA and the Canada Revenue Agency reduces regulatory burden to pension plan administrators by supporting a single annual pension plan filing, which meets the information needs of both agencies. The information is captured in the Annual Information Return (AIR), most notably in the Schedule A.

The AIR information shared includes plan details related to the plan registration number, plan name, plan and benefit type, reporting period and pension plan contact information. It also includes information relating to plan funding, membership, last actuarial valuation report filed and plan cessation or termination. The information is shared through an exchange of data files that are digestible by both FSRA and the Canada Revenue Agency systems and occurs daily or when an AIR is submitted to FSRA.

# Communication Plan

FSRA continues to enhance its internal and external communications function to support its regulatory and cultural transformation.

## Internal Communications

Building on the foundational internal communication and engagement pieces developed in our first three years, internal channels will continue to create deeper connections within teams and across the organization. The Internal Communication function will focus on transitioning the workforce to a new work model and office environment following the operational disruption of the COVID-19 pandemic.

There will also be a continued focus on change and transition as FSRA's digital transformation (*FSRAForward*) begins implementation and as the core regulated sector areas transition to principles-based regulation.

## Plain Language

Readability is a key indicator of effective communications. Information that is clear, concise, and avoids jargon can promote a stronger understanding of FSRA's activities and goals.

FSRA is committed to providing public-facing materials that are written in plain language. Additional staff will be trained on software that simplifies technical language in material aimed for general readership, helps shorten sentences, and ensures a consistent tone. Plain language best practices will also anchor the development of our corporate style guides.

FSRA will also continue its plain language focus on forms, improving navigation, incorporating best practices to increase completion rate, and reducing burden.

## Consumer, Stakeholder and Technical Advisory Committees

Stakeholder engagement is a cornerstone of FSRA's approach to regulation.

Stakeholder Advisory Committees serve as the primary consultation bodies to the Board on FSRA's priorities and budget and other matters as the Board deems appropriate. FSRA launched the Stakeholder Advisory Committees in 2019 and there has been constructive dialogue and feedback as a result, both with our Board and with FSRA management. FSRA has evaluated our stakeholder engagement, including the Stakeholder Advisory Committees and Consumer Advisory Panel. The results of the evaluation will inform the launch of a revised terms of reference and membership in early 2022.

Technical Advisory Committees provide advice, input and feedback to FSRA management on matters related to the rules of practice and procedure, filing requirements, guidelines, operational policies and other matters. FSRA is expanding its engagement by forming three new committees, one in the pension sector for employment-based pensions, and two in the credit union sector for data strategy and digital transformation, and supervisory and regulatory initiatives.

The Consumer Advisory Panel serves as an advisory body to FSRA and provides ongoing advice from a consumer perspective on proposed FSRA policy and regulatory changes. It plays an important role in fulfilling FSRA's mandate to protect the public interest in financial services in Ontario by ensuring that consumer and other public input and perspectives inform its regulatory direction and decisions.

FSRA will also engage stakeholders through technical briefing events for select Guidance and Rules. Technical briefings provide information on program rationale, key principles and expected outcomes and give stakeholders an opportunity to have their questions answered.

### Stakeholders Provide Feedback on Experiences with FSRA

Engaging with our industry partners, consumers (including pension plan beneficiaries and credit union members), and other stakeholders is an important part of the regulatory process. It is also a key element of FSRA's mandate and annual business plans.

Prior to our launch in 2019, we asked our stakeholders for insights and recommendations on engagement, which informed our approach. Now that two years have passed, we felt it was time to measure our progress on these commitments.

We recently invited stakeholders, including consumers, to give feedback on their experiences, satisfaction, and expectations of FSRA through an online survey. We want to better understand how we are positioned to address stakeholder and consumer needs as we move forward from previous industry regulators. We received over 3,000 responses to the survey.

Key insights on where FSRA is doing well:

- promoting high standards of business conduct (favourable-to-unfavorable ratio of 7.2:1)
- prioritizing consumer protection (favourable-to-unfavorable ratio of 6.7:1)
- operating as a principles-based regulator (favourable-to-unfavorable ratio of 6.6:1)
- operating in an open and transparent manner (favourable-to-unfavorable ratio of 6:1)
- engages in meaningful consultations that apply to my sector (favourable-to-unfavorable ratio of 5:1)

**Key insights on where FSRA could focus efforts:**

- increasing regulatory effectiveness (favourable-to-unfavorable ratio of 3.6:1)
- encouraging innovation (favourable-to-unfavorable ratio of 3.5:1)
- responding to market changes (favourable-to-unfavorable ratio of 3.7:1)
- reducing regulatory burden (favourable-to-unfavorable ratio of 2:1)
- awareness of engagement opportunities and provide feedback (favourable-to-unfavorable ratio of 3:1)

Survey results also showed that FSRA's communications tactics – website and emails – are well received, and there is a desire for more webinars. And that greater consumer, stakeholder education and engagement on FSRA's vision, objects and communications channels is needed. Stakeholders generally show interest in future learning opportunities for topics like regulator and industry changes, FSRA's roles and responsibilities, as well as trends in best practices across the industry. Over the next year, opportunities will be identified to further engage consumers and stakeholders and expand FSRA's reach through strategic communications.

We are also committed to measuring and benchmarking our progress again in two years.

## **Consumer Engagement**

The Consumer Office undertakes consumer research, sets strategy and works collaboratively across FSRA to engage consumers, members, and beneficiaries of the regulated sectors. The Consumer Office also provides secretariat support to FSRA's Consumer Advisory Panel. The Consumer Office and the Consumer Advisory Panel collaborate to involve other consumer stakeholders in providing feedback to FSRA. FSRA has also created opportunities for meaningful participation in FSRA's work through a residents' reference panel, which provide recommendations to FSRA from the perspective of everyday Ontario residents on auto insurance.

Insights gathered through consumer research and engagement are essential to the implementation of key priorities. FSRA is committed to strengthening its consumer research agenda and presence. This includes building meaningful opportunities for the Consumer Advisory Panel and other consumer stakeholders to participate in FSRA rule development, guidance, and other policy work. These collaborations and tools are key to FSRA's efforts as a consumer-centred and outcomes-focused regulator.

FSRA developed a strategic communications and marketing plan that supports consumer understanding and education. Work includes exploring digital strategies on key financial services topics including auto insurance, mortgage brokering and financial planners/financial advisors.

FSRA will continue to engage with the Consumer Advisory Panel to build up stronger consumer understanding and engagement opportunities.

FSRA is committed to safeguarding public confidence and trust in our financial institutions and regulated sectors.

## **External Communications**

FSRA will continue to enhance its website to ensure consumers and industry users can easily find, understand and apply the information they need. Recent work built upon

the existing website foundation includes a redesigned home page for both consumer and industry visitors, focused on intuitive navigation to sector pages for both audiences.

For industry, new sector-specific landing pages with improved navigation and content written in plain language were created. A significant change was the launch of the new licensing module designed to provide faster navigation based on license type. In May 2021, the Deposit Insurance Corporation of Ontario website was decommissioned after all relevant content from the site was rewritten in plain language and transferred to FSRA's site. The Financial Services Commission of Ontario site will be decommissioned once content has been transferred to the FSRA site.

FSRA is now focusing on a new consumer web experience clearly explaining how FSRA protects consumers. This will include new consumer landing pages by sector, with easy navigation, plain language and, interactive content and visuals to aid user understanding and engagement.

FSRA will also be taking opportunities to drive earned media in mainstream, sector and multicultural publications in order to create further awareness about the organization's efforts to ensure financial safety, fairness, and choice for everyone.

# Response to Expectations in Agency Mandate Letter

Pursuant to the requirements of the Agencies and Appointments Directive, this represents the response to the Minister's letter setting out expectations for FY2022-2023.

FSRA will continue to work closely with the Ministry of Finance pursuant to the mandate letter from the Minister of Finance to the Chair of FSRA, and will coordinate with stakeholders as appropriate to deliver on those expectations.

FSRA is committed to delivering against its statutory objects, and to deliver outcomes consistent with the agency's governing legislation and other legislation that confers powers and duties on FSRA. When doing so, FSRA considers government priorities, key policies and directives and the Minister's directions.

We have, and will continue, to contribute to cross-sectoral burden reduction goals, while improving regulatory efficiency and effectiveness across FSRA's regulated sectors. FSRA will continue to focus on delivering on its priorities to foster strong, sustainable, competitive and innovative non-securities financial services sectors and promote good administration of pension plans. We will also strive to provide fiscally responsible value for taxpayers.

In addition to those activities outlined in our Statement of Priorities, the Plan outlines FSRA's planned activities for FY2022-2023 in support of the Minister's expectations with respect to:

- competitiveness, sustainability and expenditure management
- transparency and accountability
- risk management
- workforce management
- data collection
- digital delivery and customer service
- diversity and inclusion
- COVID-19 recovery

# Information Technology

FSRA is continuing to strengthen its core IT capabilities as it reviews and transforms its regulatory and supervisory processes to be a more effective and efficient regulator.

The goal is to establish cost-effective, modern, secure and flexible technology platforms to support renewed and improved processes. This will allow FSRA to be more responsive and more adaptable to changing regulatory needs.

Modernizing FSRA's IT systems is important for several reasons:

- reducing reliance on outdated legacy systems that are no longer supported and cannot be updated, reducing technology and operational risks, increasing IT's ability to support an adaptable business-operating model and improving cybersecurity
- streamlining and automating processes, which will reduce manual processing, lower operating costs and improve turnaround times for regulatory processes such as licence issuance. These modern systems, with workflow capabilities and business rules engines, are expected to enable reduced processing times from weeks to real-time
- providing better access to information and transparency on status and outcomes of requests. This will happen for both regulated entities and consumers via digital channels and through the service centre
- reducing the time and effort required to file, retrieve and analyze information
- reducing error rates and rework by employing effective data management practices and automating validation processes

Modernizing core regulatory processes and systems work follows a multi-year transformation roadmap. It aligns processes, data, technology and stakeholder interactions with FSRA's business vision and priorities.

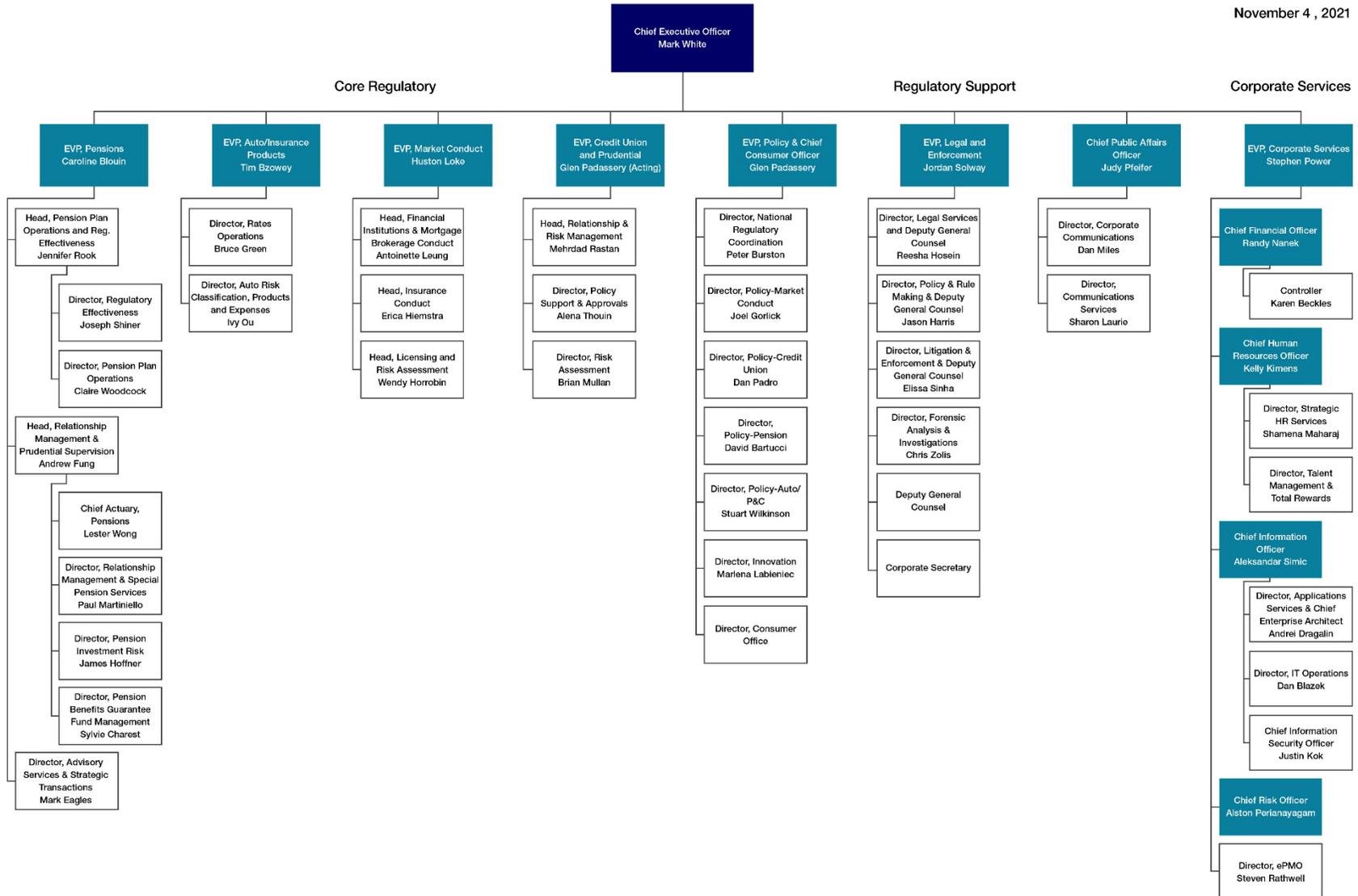
As FSRA progresses on this roadmap, the focus is on procuring and onboarding key applications and technology platforms, aligning the IT operation model, and building

foundational technology and data components. Achieving fully digital, integrated and flexible technology and processes is a multi-year and multi- million-dollar journey. FSRA will continue consulting with stakeholders and sectors on key decisions and priorities as it looks to increase regulatory efficiency and effectiveness.

In addition, and supporting this transformation, FSRA is in the process of implementing a cybersecurity program consistent with the approved cybersecurity roadmap. This program leverages a third-party cybersecurity assessment and industry best practices in prioritizing initiatives that minimize FSRA's cybersecurity risks. FSRA's approach is aligned with National Institute of Standards and Technology Cybersecurity Framework, a leading cybersecurity risk management framework.

# Appendix A: Organization Chart

November 4, 2021



## Appendix B: Service Standards

Sector	Service	Standard	Target %	Stretch Target %
Credit Unions	Regulatory approvals	All credit union regulatory applications processed within 30 days after all required information received.	90%	100%
	Member/public inquiries	Telephone and email inquiries responded to or acknowledged within one business day.	95%	100%
	Examination Reports	Final Examination Report or Interim Examination Report to be provided to the Credit Union no later than 60 business days after the examination.	65%	100%
Auto	Filing	Percentage of Private Passenger Auto (PPA) Standard filings reviewed and decision made within 25 business days.	100%	N/A
	Filing	Percentage of non-PPA Minor filings reviewed and decision made within 25 business days.	85%	N/A
	Filing	Percentage of Major rate filings reviewed and decision made within 45 business days.	90%	N/A
	Filing	Percentage of Underwriting Rules, Endorsement and Form Filings reviewed and decision made within 30 business days.	80%	N/A

Sector	Service	Standard	Target %	Stretch Target %
Pensions	Inquiries	Inquiries (plan specific, non-plan specific and general) will be responded to within 45 business days.	90%	100%
	Application	Defined Benefit Plan wind up applications will be reviewed, and a decision will be made within 120 business days.	90%	100%
	Application	Defined Contribution plan wind up applications will be reviewed, and a decision will be made within 90 business days	90%	100%
FSRA Complaints Acknowledgement (All Sectors)	Complaints-Sector	FSRA will acknowledge complaints in writing within three business days of receipt provided that the reply information is available.	90%	100%
FSRA Complaints (All Sectors)	Complaints-Sector	Within 120 days, complaints containing all available information will be assessed and actioned for a range of possible outcomes inclusive of escalation to other areas of FSRA, transfer to third party dispute organizations, warning and caution letters, and closed with no action.	80%	85%

Sector	Service	Standard	Target %	Stretch Target %
FSRA Complaints (All Sectors)	Complaints-Sector	Within 120 days, complaints containing all available information will be assessed and actioned for a range of possible outcomes inclusive of escalation to other areas of FSRA, transfer to third party dispute organizations, warning and caution letters, and closed with no action.	80%	85%
Mortgage Broker Licensing	Licensing – Individuals	Licences will be issued 10 days from receipt of a complete application (complete, with payment, and no suitability issue identified during the application review process).	80%	90%
	Licensing – Individuals	Applicants who have submitted incomplete licensing applications (missing information, payment, qualifications, or documents) will be informed that their application is incomplete within 10 business days or receipt.	80%	90%
	Licensing – Individuals	Applicants submitting licensing applications where a suitability issue is identified, will receive an email advising the contact information for the assigned Licensing/Registration Specialist and will be contacted within 10 business days of the email, or the licence will be issued.	80%	90%

Sector	Service	Standard	Target %	Stretch Target %
Insurance Agent Licensing	Licensing - Individuals	Licences will be issued 10 days from receipt of a complete application (complete, with payment, and no suitability issue identified during the application review process).	80%	90%
	Licensing - Individuals	Applicants who have submitted incomplete licensing applications (missing information, payment, qualifications, or documents) will be informed that their application is incomplete within 10 business days or receipt.	80%	90%
	Licensing - Individuals	Applicants submitting licensing applications where a suitability issue is identified, will receive an email advising the contact information for the assigned Licensing/Registration Specialist and will be contacted within five business days of the email, or the licence will be issued.	80%	90%
Public Affairs	Telephone Inquiries	We will respond to general questions when calls are received. Complex questions and complaints will be forwarded to the appropriate area to log, investigate, and respond.	90%	98%
	Telephone Voicemail Inquiries	Calls that are received through Voicemail will be acknowledged within one business day.	90%	98%

Sector	Service	Standard	Target %	Stretch Target %
Public Affairs	Email Inquiries	Emails received through the Contact Centre will be acknowledged within one business day and a response sent within three business days. For complex matters, we may request additional information and these requests may take longer for a formal response.	90%	98%
	Web Content Requests	FSRA will respond within five business days to a requestor of web content in accessible format. Following discussions with the requestor, FSRA will provide agreed-upon web content (excluding online applications), in an accessible format within five business days.	90%	98%
	Print Content Requests	FSRA will respond within five business days to a requestor of print publication in an accessible format. Following discussions with the requestor, FSRA will provide the agreed-upon publication material in an accessible format within five business days.	90%	98%
	Web Inquiries	All inquiries directed to the Web Manager e-mail account will be concluded and/or responded to within five business days.	95%	100%

# Appendix C: FSRA Stakeholder Engagement Committees

Sector	Stakeholder Advisory Committees (SACs)	Standing Technical Advisory Committees (STACs)	Technical Advisory Committees (TACs)	Advisory Panels
Property and Casualty (P&C) / Auto Insurance	Property and Casualty (P&C) Insurance Health Service Providers		<p>Technical Advisory Committee for Transforming Auto Insurance Rate Regulation</p> <p>Technical Advisory Committee for Auto Insurance Data and Analytics Strategy</p>	<p>Consumer Advisory Panel</p> <p>Residents' Reference Panel</p>
Credit Unions	Credit Unions		<p>Technical Advisory Committee for Credit Union Data Strategy and Digital Transformation</p> <p>Technical Advisory Committee for Credit Union Regulatory and Supervisory Initiatives</p>	Consumer Advisory Panel
Life and Health Insurance	Life and Health Insurance		Insurer Oversight of Managing General Agencies Segregated Funds	Consumer Advisory Panel
Mortgage Brokering	Mortgage Brokering		Technical Advisory Committee for Mortgage Brokering	Consumer Advisory Panel
Pensions	Pensions	<p>Defined Benefit Single Employer Plans Advisory Committee</p> <p>Defined Contribution Plans Advisory Committee</p> <p>Multi-Employer Pension Plans Advisory Committee</p> <p>Public Sector Pension Plans Advisory Committee</p>	<p>Technical Advisory Committee for Identifying and Strengthening the Supervision of Actively Monitored Plans</p> <p>Technical Advisory Committee for Missing Members in the Pension Sector</p> <p>Technical Advisory Committee for Asset Transfers</p> <p>Technical Advisory Committee for Family Law Pension Matters</p>	Retiree Advisory Panel (Pensions)

Technical Advisory Committee  
on defined contribution (DC)  
plans  
Technical Advisory Committee to  
Identify Ways to Foster a Vibrant  
Employment-Based Pension  
Pillar in Ontario

# Appendix D: Strategic Framework Pillars

## **Pillar #1 - Operate effectively to be a high-performing regulator**

- We will consistently deliver on our core business functions.
- We will apply continuous improvement methodologies to review operations.
- We will modernize tools and processes with a continued focus on digitization and automation.
- We will create an improved experience for stakeholders interacting with FSRA.
- We will communicate our expectations clearly to increase understanding among stakeholders on the regulatory approaches and activities taken by FSRA.
- We will continue to work with government partners to maintain an alignment on priorities.

## **Pillar #2 - Transform our regulatory processes to make evidence-based and risk based decisions**

- We will apply a consistent and transparent approach to regulatory oversight and decision making.
- We will collect more data and increase our internal capabilities to make data-driven and risk-based decisions.
- We will be responsive to the regulatory environment and adapt our approach to regulation, as needed.
- We will continue transitioning to principles-based regulation to focus our efforts on desired outcomes
- We will build stronger relationships with other regulators through cooperation, collaboration and sharing of best practices

## **Pillar #3 - Attract talent and evolve our culture to achieve priorities**

- We will retain and develop top talent with deep expertise, and invest accordingly.
- We will foster a culture that is inclusive and exemplifies our values.
- We will organize and support our talent to effectively deliver on FSRA's strategic priorities and regulatory operational requirements.

- We will promote a culture where staff are actively empowered to lead, are held accountable, and are rewarded for outcomes.

**Pillar #4 - Protect the public interest to enhance trust and confidence in the sectors we regulate**

- We will embed a consumer lens in our guidance and rules.
- We will thoughtfully engage with regulated sectors, consumers, credit union members, and pension plan beneficiaries to understand their current and future needs.
- We will enable innovation and greater choice for consumers.
- We will conduct research to better understand risks to and opportunities for consumers, credit union members and pension plan beneficiaries.
- We will support efforts to enhance consumer, credit union member, and pension plan beneficiary education and knowledge.

# Appendix E: Financial Assumptions

- All FSRA financial information assumes 12 months of activity.
- Comparable figures are based on the April 1, 2021 – March 31, 2022 budget approved by the FSRA Board and used to charge FY2021-2022 fee assessments.
- Technology operating investments made during the year are recovered from the sectors over five years.
- No allocation methodology changes from prior year.
- Credit Union IT costs are being transitioned over five years to assume their pro rata share of common IT costs. This is reflected in the cost allocations.
- The Financial Planners/Financial Advisors sector costs will commence its fee collection in F2022-2023, this includes amortization start-up costs and its share of current budget year expenses.
- FSRA regulates Health Service Providers as part of its Auto Insurance regulation activities, HSPs, as a fixed fee payer under the FSRA fee rule, are merged into the Auto Insurance sub-sector and any revenue under recovery/overage is charged to/credited to the variable fee assessment auto sectors.
- Life Conduct for Life and Health agents is a fixed fee sub-sector. Any cost overage/underage will be charged to life insurers as a variable sub-sector.
- FSRA will recover expenses for its review of Co-Op offering statements.