



Stephen Frank
President and CEO

February 8, 2019

Mr. Bryan Davies
Chair of the Board

Mr. Mark White
Chief Executive Officer
Financial Services Regulatory Authority (FSRA)
130 Adelaide Street
Toronto, Ontario
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Dear Bryan and Mark,

Thank you for the opportunity to provide feedback on the proposed 2019-20 FSRA Priorities and Budget. We appreciate the collaborative approach that FSRA is taking at this formative time and are happy to provide any assistance and input into this important transition.

Canada's life and health insurers play a key role in providing a social safety net to Ontarians. We protect over 75% of Ontarians through a wide variety of life, health, and retirement income products. The industry paid over \$40 billion (nearly \$800 million a week) in benefits to Ontarians in 2017. At the end of 2017, there were 15,400 private pension plans in Canada and about 70% of them were administered by insurers. The industry also plays a strong role in supporting the province's economy. Nearly 72,000 Ontarians work within the sector (as employees or independent agents). The industry is also a major investor in the province with over \$300 billion in assets, providing an important source of stable capital for the provincial government and businesses. Canadian life insurers contributed more than \$2.5 billion in provincial taxes to the government for the 2017 calendar year.

We support FSRA's proposed key priorities in the areas of reducing regulatory burden and improving regulatory effectiveness. Setting these priorities now will create a sound foundation for FSRA to fulfill its mandate and ensure fair outcomes for consumers today and in the future. Additionally, we support FSRA's insurance sector priorities, which identify important areas of initial focus.

We set out below the life and health insurance industry's responses to these key priorities, the proposed budget, and provide a few comments on pensions.

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Burden Reduction

Review Inherited Guidance

As noted in the “insurance conduct” priorities, Fair Treatment of Consumer Guidance is an example of an area where there are opportunities for policy review and streamlining. We would suggest that FSRA consider the overarching principles and policy objectives of the guidance to identify if there is overlap and duplication. Generally speaking, principles-based guidance allows for public policy objectives to be met with sufficient flexibility for life and health insurers to choose processes and systems that effectively and efficiently comply. Overall, this priority would be supported by FSRA’s continued engagement with other regulators through the Canadian Council of Insurance Regulators (CCIR) and Canadian Insurance Services Regulatory Organizations (CISRO), which would help ensure a coordinated approach on this matter across Canada.

As timelines for these reviews are ambitious we would note that the life and health insurance industry is available to assist FSRA. In fact, in 2003, the CLHIA undertook a one-year project to rationalize the industry’s guidelines from 53 to what is now less than 20 guidelines that set out standards of practice for life and health insurers in relevant areas. We would be pleased to share the industry’s experience with FSRA as it embarks on this important initiative.

Review Data Collection and Filing Requirements

Leveraging existing market conduct data collection could be a way of reducing regulatory burden while also ensuring that FSRA has access to the market intelligence that it needs. Currently, the life and health industry gathers and reports a significant amount of market conduct data in the “Annual Statement on Market Conduct” to the Canadian Council of Insurance Regulators. As such, we would suggest that FSRA consider whether this existing data set would meet its needs when reviewing data collection in the context of efficient regulation and reducing regulatory burden.

Meaningful Service Standards

We support this priority, and believe there is an opportunity for the industry to collaborate with FSRA as the standards are developed. We would also note that it is important to ensure that appropriate service standards are maintained throughout the process that is now underway to transition to FSRA as Ontario’s insurance regulator. Ensuring appropriate service standards during this time will facilitate the transition process, assist the regulated sectors in carrying on with their business and, most importantly, ensure that consumers are protected throughout the transition.

Regulatory Effectiveness

We support the prioritization of regulatory effectiveness as an underling priority area, including protecting the public interest and modernizing systems and processes. Below, we have provided some specific comments on enhancing stakeholder collaboration, building sector expertise, and enabling innovation.

Enhancing Stakeholder Collaboration

We would encourage FSRA to continue with the level of industry engagement that it has undertaken to date. Open dialogue allows the industry to provide regulators with hands-on insights about the intricacies of the life and health insurance industry. Specifically, we recommend that FSRA establish a dedicated life and health insurance industry advisory committee that can provide input to management and the Board of Directors. Such a committee could provide life and health industry’ perspectives on

proposed rules and policies, as well as being a sounding board, and provide information to the Board when needed.

Sector Specific Expertise

We support FSRA's goal of ensuring sector specific expertise into its staff. From the perspective of the life and health insurance industry, having expertise about our industry at the staff level is important given the wide range of products offered (e.g. disability insurance, annuities (including segregated fund contracts), critical illness, supplementary health coverage and life insurance). Therefore, we encourage FSRA to look for opportunities to add life and health expertise to its leadership team and Board of Directors.

Enabling Innovation

We understand that the Innovation Office will allow insurers to engage with FSRA during product development and distribution, and we support this forward thinking and collaborative approach to innovation. Our belief is that supporting innovation is essential to a competitive life and health insurance marketplace in Ontario that ensures consumers are provided with the appropriate protections.

Insurance Conduct

Fair Treatment of Consumers Harmonization

We support FSRA's goal of harmonizing fair treatment of consumers guidance and believe this may be achieved through the principles set out in the current CCIR-CISRO guidance. We believe that consumers would be best served by a national approach that creates similar regulatory expectations across the country simultaneously supporting burden reduction and effective regulation. Accordingly, we recommend that FSRA review the existing FSCO Guidance in relation to the CCIR-CISRO Guidance on this same topic with an eye to harmonizing the two expectations to the greatest extent possible.

Effective Conduct Standards

We support the prioritization of "effective conduct standards" and share FSRA's expectations for consumer centric market conduct. The life and health insurance industry will continue to explore ways that insurers and intermediaries can work together to achieve better advisor oversight, and we look forward to collaborating closely with FSRA on this matter going forward.

Efficient Licensing System

We think the planned development of an efficient licensing system that identifies regulatory arbitrage, and supports the avoidance of market conduct risk, will support FSRA in fulfilling its mandate. We support this priority.

Pension

We are supportive of sector specific consultation on regulatory objectives in this area. The industry is available to provide whatever assistance is required. Additionally, we believe that it is important that FSRA has the pensions data that it needs to make well informed, principles-based, policy decisions. Overall, new or updated information systems will likely help FSRA in this area. A balanced approach will need to be taken considering current initiatives and new objectives.

Budget

We are of the view that the proposed budget reflects a reasonable and conscientious approach to developing the financial plan for FSRA and we support the proposed budget requirements. We appreciate FSRA's consultative approach on budgeting to date, and would like to thank FSRA for responding to our questions from the Assessments and Fees Consultation initiated in October.

Thank you, again for the opportunity to provide the industry's comment as FSRA works to set its initial priorities as Ontario's new financial sector regulator. We appreciate the consultative approach taken to date, and look forward to continuing to collaborate with FSRA in the months ahead.

Sincerely,

Stephen Frank