
Fair Treatment of Customers (FTC) Guidance to Ontario Insurance Licensees Consultation Summary Report

Original Consultation: <https://www.fsrao.ca/engagement-and-consultations/common-approach-treating-insurance-customers-fairly>

Comment Due Date: October 22, 2020 [ID: 2020-011]

Purpose of Consultation

Currently, insurance licensees in Ontario must choose between two guidelines on how to treat customers fairly: an Ontario-specific [FSCO guideline](#) that also applies to several other sectors, and a cross-Canada guideline developed jointly by Canada's insurance regulatory associations, [CCIR \(Canadian Council of Insurance Regulators\)](#) and [CISRO \(Canadian Insurance Services Regulatory Organizations\)](#).

FSRA proposed for consultation that insurance licensees in the property, life and health insurance sectors in the province follow [the Fair Treatment of Customers](#) guidance created by CCIR and CISRO.

FSRA is committed to dialogue, consultation and transparency. This document summarizes the questions received from the public and FSRA's response to that input.

What we heard

FSRA sought feedback on the proposed Approach and received 15 submissions during the consultation period September 23 to October 22, 2020. Full submissions, sorted by stakeholder, are published on FSRA's FTC consultation webpage, [Applying a Common Approach to Treating Insurance Customers Fairly](#).

Most stakeholders expressed support for the Approach, with many appreciating FSRA's intention to align with a harmonized, national set of expectations driving towards reducing burden in compliance efforts. All input from key industry stakeholders and large insurers was complementary to this expressed support.

List of contributors

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11. Insurance Bureau of Canada (IBC)
12. Independent Financial Brokers (IFB)
13. Manulife
14. Balu Naidu, Claims Tech (Canada) Inc.
15. Ontario Mutual Insurance Association (OMIA)

Recommendation

FSRA staff seek approval to adopt the proposed *FSRA Approach No. GR0008APP – Fair Treatment of Customers in Insurance* (Approach) without material changes.

General Comments on the Draft Approach

No.	Subject	Summarized Comments	Response
1.	General support	<p>Most comments indicated general support for FTC Guidance in insurance and FSRA's objective to harmonize with national guidelines.</p> <p>Many expressed support for coordination between jurisdictions which helps to reduce duplication and differing regulatory expectations.</p>	FSRA is pleased with the overall support from stakeholders.
2.	Title insurance sold by lawyers not licensed as insurance agents or brokers	One stakeholder expressed concern about insurers' remuneration to lawyers in the sale of title insurance.	Out of scope for the purpose of the consultation.
3.	COVID-19 Environment	One stakeholder expressed current challenge of meeting fair treatment of customer standards in regards to prospective/new clients who are best served in face-to-face meetings.	Fair treatment of customers is not limited to in-person channels.

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4.	Conflicts of interest in insurer-driven incentives	One stakeholder noted potential conflicts with FTC brought about by incentives offered by insurers to agents and intermediaries.	The CCIR/CISRO FTC Working Group is developing guidance for incentives management.
5.	Insurers and intermediaries resolving disputes about interpretation of FTC guidance FTC guidance interpreted differently by insurers	One stakeholder raised concerns about potential inconsistencies among insurers in their interpretation of, and policies and procedures to ensure accordance with, FTC guidance specifically in its application to intermediaries.	The FTC Guidance provides insurers with latitude to determine procedures and controls in the offering of products and services to customers based on the nature, size and complexity of their business.
6.	Undue FTC focus on intermediaries	One stakeholder suggested that managing issues associated with insurer online sales and direct sales (via banks) should receive greater focus since they bypass advisors. Without advisors, there is greater potential for failing to disclose small product details that are material to customers in the long term.	Fair treatment of customers is the shared responsibility of the insurer and licensees involved during the lifecycle of a product, with the insurer bearing the ultimate responsibility.
7.	Over-burdensome customer needs analysis for small value products	One stakeholder discussed the burdens of conducting time-consuming needs analyses and liability inherent in long-term servicing where product value (and resulting commission to intermediary) is small.	While needs analysis is important, the fair treatment guidance recognizes that the nature and amount of information intermediaries seek from customers must be appropriate to the type and complexity of the product or coverage being sought. Part 6.8 - Advice in the FTC Guidance expands on this principle in relation to needs analysis.

No.	Subject	Summarized Comments	Response
8.	Specific disclosures for insurers connected to auto accident services	One stakeholder commented on full disclosures of property and casualty (including auto) insurers in respect of their interest in restoration companies, treatment facilities and auto body shops.	Out of scope for the purpose of the consultation.
9.	Uniform Rights document for customers	One stakeholder suggested that licensees should be obligated to present a uniform “consumer rights” document to customers at review at point of marketing or sale.	<p>Since the FTC Guidance is principles-based, licensees should determine the materials and business practices that will help them best achieve the expected outcomes and reasonably demonstrate application of the principles.</p> <p>The FTC Guidance requires insurers and intermediaries to ensure that customers are appropriately informed about a product, before and at the point of sale, to enable them to make an informed decision about the proposed product.</p>