



Financial Services Regulatory  
Authority of Ontario

# Annual Business Plan

## 2024-27

**February 14, 2024**



Ontario

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The Financial Services Regulatory Authority of Ontario (“FSRA”) is an independent regulatory agency. It commenced operations in June 2019 to regulate and supervise 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

FSRA is pleased to present its 2024-27 Annual Business Plan (“ABP”). The ABP outlines FSRA’s core strategy for three fiscal years, ranging from 2024-25 to 2026-27, and its priorities for the upcoming fiscal year (FY2024-25).

FSRA is an independent regulatory agency, created to improve consumer<sup>1</sup> and pension plan beneficiary protections in Ontario. It provides prudential and/or market conduct regulation and supervision in the following sectors:

- Property and casualty insurance (including auto insurance rates)
- Life and health insurance
- Credit unions and caisses populaires (“credit unions”)
- Loan and trust companies
- Mortgage brokers
- Health services providers (related to auto insurance)
- Pension plans
- Financial planners and advisors

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<sup>1</sup> In this document, the term ‘consumers’ includes the public, credit union members, pension plan beneficiaries, investors and other stakeholders that may use, consume, or benefit from financial or pension services regulated by FSRA.

## FSRA's focus

In 2021-22, FSRA developed and implemented its [2022-25 Strategic Framework](#) (“Strategic Framework”) which reflects FSRA’s legislative objectives and encompasses the organization’s [Vision, Mission, and Values](#). FSRA uses the Strategic Framework to achieve its statutory objects as defined in the *Financial Services Regulatory Authority of Ontario Act, 2016* (“*FSRA Act*”).

FSRA continues to mature as an organization, further developing capacity for supervision and enforcement to achieve regulatory excellence and to contribute towards public confidence in its regulated sectors.

The Board approved a budget of \$126.1 million for FY2024-25 to effectively execute its mandate and to address its stated priorities. FSRA anticipates total sector revenues of \$114.1 million, which is 4.4% or \$4.8 million higher than the FY2023-24 budget. Within these total sector revenues, the activity and licensing fee component is expected to be relatively unchanged from FY2023-24 budget but the variable sectors fee assessment component is expected to increase by 6.3% from FY2023-24 budget. The excess of expenses budgeted over total sector revenue for FY2024-25 is covered by the release of \$12.0 million of cumulative surplus from prior years operations.

## Mandate

The [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 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 good administration of pension plans
- protect and safeguard the pension benefits and rights of pension plan beneficiaries

For **credit unions**, FSRA’s additional objects are to:

- provide insurance against the loss of part or all of deposits with credit unions
- promote and otherwise contribute to the stability of the credit union sector in Ontario, with due regard to the need to allow credit unions 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 in such manner as will minimize the exposure of the Deposit Insurance Reserve Fund to loss

In addition to the objects stated above, FSRA’s objects with respect to the *Financial Professionals Title Protection Act, 2019*, are to administer and enforce that Act.

In addition, 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.

## Response to expectations in agency mandate letter

Pursuant to the requirements of the *Agencies and Appointments Directive* (“AAD”), this represents the response to the Minister’s letter setting out expectations for FY2024-25. 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.

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. Subject to this, it is important to FSRA that its goals, objectives, and strategic direction align with the government’s priorities and overall direction, including that FSRA delivers value for money and addresses the expectations set out by the Minister in the mandate letter.



These expectations and priorities include, but are not limited to:

- Supporting long-term burden reduction efforts, data filing requirements and continued engagement and collaboration with stakeholders based on FSRA's Guidance Framework.
- Improving regulatory efficiency and effectiveness across FSRA's regulated sectors, to protect consumers and improve value for money, enable innovation, and support harmonization with other regulators.
- Ongoing enhancement of market conduct for the life and health insurance sector to protect consumers.
- Supporting the government's commitment to improve auto insurance, with a focus on creating more consumer choice, cracking down on fraud and abuse and enhancing fairness through rated and underwriting reforms.
- Ensuring effective administration of the *Financial Professionals Title Protection Act, 2019*.
- Supporting the on-going stability and modernization of the credit union sector, by reducing burden, boosting competitiveness, and promoting trust.
- Supporting the statutory review of the *Mortgage Brokerages, Lenders and Administrators Act, 2006*.
- Continuing to engage the pension sector through the technical advisory committees to support the development of better processes, Guidance, and approaches to regulatory oversight. FSRA is supporting the government in its development and implementation of a new target benefit framework.
- Supporting the education of consumers, and others, as appropriate, on important initiatives affecting sectors under the purview of FSRA, including auto insurance and preventing auto theft.

FSRA is also aligned with government-wide commitments set out by the Minister that apply to board-governed provincial agencies with respect to:

- risk management
- competitiveness, sustainability and expenditure management
- transparency and accountability
- workforce/labour management
- diversity and inclusion
- data collection, sharing and use
- digital delivery and customer service

The primary vehicles for FSRA meeting the expectations outlined in the mandate letter are through the Strategic Priorities set forth in the ABP (see page 27), the day-to-day regulatory and supervisory activities, and the way in which FSRA is structured and managed. These Strategic Priorities serve as a tool for FSRA to identify and communicate the most transformational work FSRA endeavors to undertake. These Priorities, as well as FSRA's day-to-day activities and operations, ensure FSRA aligns with government direction. Other expectations outlined in the mandate letter, which are not captured through FSRA's Strategic Priorities, are still an important part of FSRA's business plan for the 2024-27 period and will be addressed and reported on through FSRA's ongoing activities and operations.

## Governance and organization structure

### Governance and organization structure

FSRA was established under the *FSRA Act* as a self-funded Crown corporation with a fully independent Board of Directors (the "Board"). The Board is appointed by the Lieutenant Governor in Council on the recommendation of the Minister of Finance ("the Minister") and is accountable to the Minister and to the Ontario Legislature.

In addition to the duties and responsibilities of the Board under the *FSRA Act*, the Memorandum of Understanding (“MOU”) between FSRA and the Ministry of Finance, which is subject to periodic review, establishes the accountability relationships between the Minister and FSRA, through the Board and Chair of the Board (“Board Chair”), among other things.<sup>2</sup> The MOU clarifies the roles and responsibilities of the Minister, the Board Chair, all Board members, the Deputy Minister of Finance, and the Chief Executive Officer (“CEO”) of FSRA, in areas such as administration, communications, operations and others.

The MOU should be read alongside the *FSRA Act* and the governing sector statutes (e.g., *Insurance Act*; *Pensions Benefits Act*; *Mortgage Brokerages, Lenders and Administrators Act, 2006*; *Credit Unions and Caisses Populaires Act, 2020*; etc.).

## Board of Directors

The *FSRA Act* provides that the Board shall consist of at least three and not more than eleven directors. One director is designated as Board 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 for approval on any matter regarding a statute granting FSRA rule-making authority.

## Corporate oversight

The Board supervises the management of the affairs of FSRA, which includes oversight of FSRA’s:

- culture
- organizational structure
- strategic direction and priorities

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<sup>2</sup> [Governance | Financial Services Regulatory Authority of Ontario \(fsrao.ca\)](https://www.fsrao.ca/governance)

- performance metrics aligned with FSRA’s object and priorities
- operational efficiency
- risk management
- technology transformation
- financial management and reporting
- approach to policy matters within its legislative authority

The Board approves FSRA’s ABP, including its Strategic Priorities, and oversees its implementation by FSRA Management.

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

## **Rule making 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 is responsible for approving rules that, if approved by the Minister, have the force of law.

## **FSRA Board of Directors<sup>3</sup>**

Joanne De Laurentiis (Chair)

Kathryn Bouey

Joseph Iannicelli

Dexter John

Stewart Lyons

Peggy McCallum

Ali Salahuddin

Lucie Tedesco

Brent Zorgdrager

## **Standing Committees of the FSRA Board of Directors<sup>4</sup>**

Audit, Finance and Risk Committee

Human Resources and Governance Committee

Rules and Policy Committee

Statutory Funds Advisory Committee

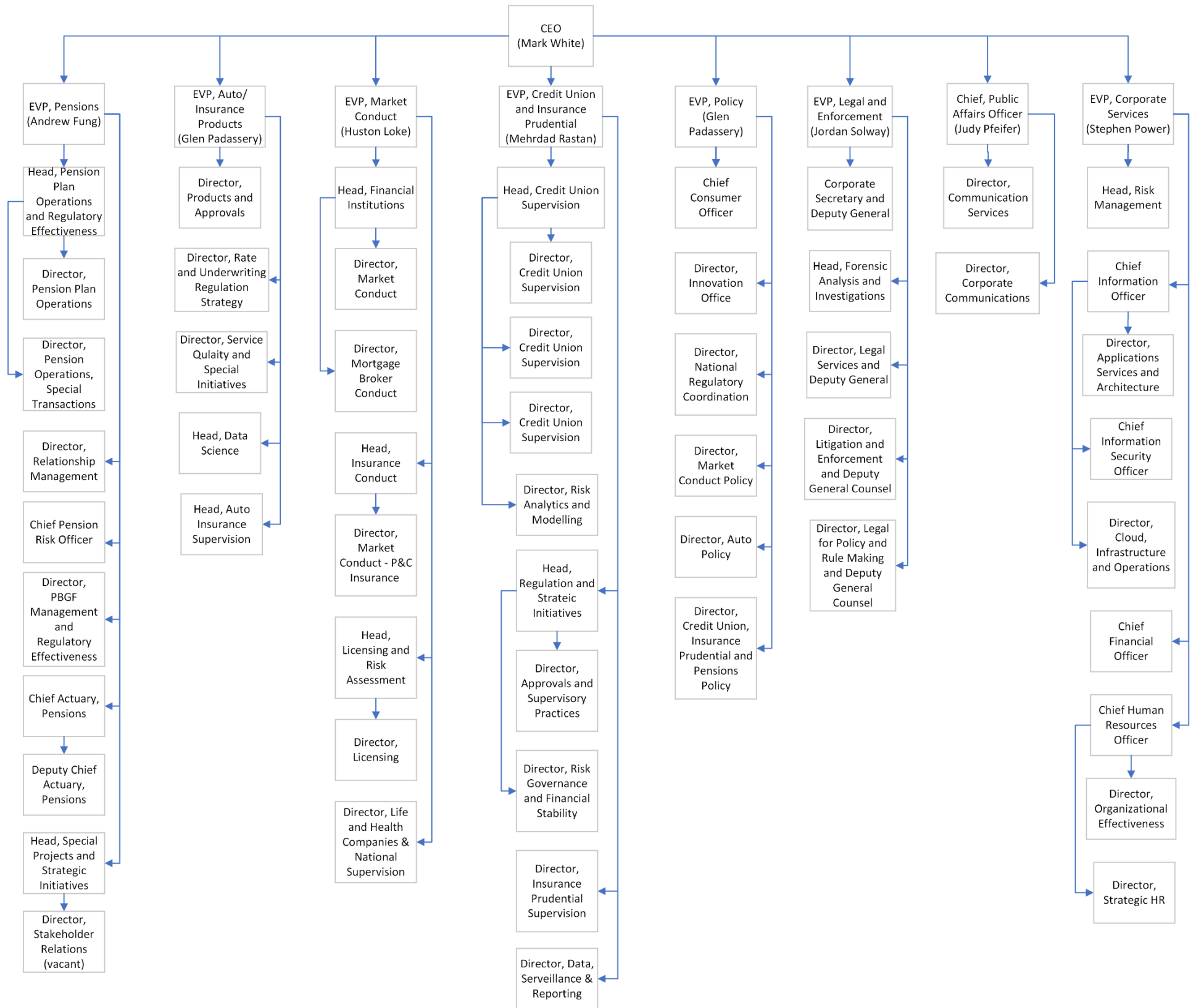
Technology Transformation Committee

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<sup>3</sup> List of FSRA directors as at March 2024. Lawrence E. Ritchie retired from the Board on December 31, 2023.

<sup>4</sup> List of Committees as at March 2024.

# Organizational chart as at January 1, 2024



# Environmental scan

FSRA regulates dynamic markets that are affected by several socio-economic factors. As Ontario emerges from the unprecedented conditions experienced over the last three years, several internal and external factors will impact FSRA's operations and shape its priorities.

FSRA is committed to furthering its understanding of the sectors, entities, and individuals it regulates, including how conditions are changing and are likely to evolve over time. This is essential to adequately protect consumers, all while continuing to deliver financial safety, fairness, and choice.

## Economic outlook

Inflationary pressures, interest rate hikes, housing market fluctuations, and shifting labour market conditions have led to an overall uncertain economic environment. Extended periods of economic uncertainty may impact consumer vulnerability, confidence, and harm.

### Macro highlights to note:

- According to Statistics Canada, **inflationary pressures** remain a significant issue, although there are signs of inflation lessening in 2024. As at December 2023, the Canada-wide consumer price index (CPI) was 3.4% y/y, down from 6.3% in December 2022.<sup>5</sup> High inflation impacts peoples' cost basis, making business transactions more complicated. Efforts to counter the inflationary pressure led the Bank of Canada to increase interest rates several times in 2022 and 2023.
- The **cost of living** continues to be an issue facing many Ontarians. Despite a slow-down and slight reduction in the average house price in some municipalities, affordability continues to be an issue. While higher interest rates have had an impact on somewhat "cooling down" the housing market<sup>6</sup>, they have had negative impacts on consumers carrying variable-rate mortgages and those needing to renew. According to the June 2023 Financial Consumer Agency of Canada's ("FCAC") report on the financial well-being of Canadian homeowners with mortgages, two-thirds of mortgage holders are having difficulty meeting financial commitments, increasing household

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<sup>5</sup> [Consumer price index portal \(statcan.gc.ca\)](https://www150.statcan.gc.ca/n1/pub/2466827/2024001/article/00001-eng.htm)

<sup>6</sup> [CREA: October Statistics](#)

debt, and reducing the suitability of mortgages for consumers.<sup>7</sup> Additionally, FSRA's Consumer Research on Mortgage Brokering data shows that consumers' potential to turn to private lending remains high because of interest rate hikes and inflation.<sup>8</sup>

- Despite slight upticks, Statistics Canada reports that **unemployment levels** remain below their pre-COVID-19 pandemic average.<sup>9</sup> Some of FSRA's regulated entities have flagged challenges around **talent acquisition** and **retention**.
- There are several macroeconomic and geopolitical risks that may ultimately affect consumers in FSRA's regulated sectors. For instance, the lagged effects of interest rate increases during calendar years 2022-23 **raise the possibility of a recession in FY2024-25**. Additionally, various geopolitical events (e.g., the war in Ukraine) may lead to potentially elevated global macroeconomic risks. The short and long-term impact of these factors can have a material impact on FSRA's regulated sectors. FSRA will remain adaptive in the face of economic uncertainty and will respond to changing conditions accordingly.

## Technological advancement and innovation

The use of technology in Ontario's financial services and pension plan sector has been in constant evolution over the last few years, this change has been driven by a rapid increase in consumer uptake of digital services. FSRA is committed to actively monitoring and encouraging innovation in its regulated sectors while reducing the risk of consumer harm.

Notable trends in this area include:

- **Increased use of technology** – Financial service providers and pension plans have increased the overall use of technology in their internal and consumer-facing processes/products. Regulated entities and individuals are investing in areas of automation, artificial intelligence ("AI"), machine learning, digital security, as well as preparing for participation in Open Banking. The greater use of technology can lead to higher probabilities of Information Technology ("IT") risk incidents, such as a cyber breach or a failure in IT infrastructure. This poses a risk to the operational resiliency of FSRA's regulated entities and can pose potential harm to consumers (e.g., privacy,

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<sup>7</sup> [FCAC Report: The financial well-being of Canadian homeowners with mortgages - Canada.ca](#)

<sup>8</sup> [Mortgage brokering sector Supervision Plan 2022-23 | Financial Services Regulatory Authority of Ontario \(fsrao.ca\)](#)

<sup>9</sup> [StatsCan: Labour Force Survey, October 2023](#)



access to essential services).

- **Artificial intelligence (“AI”) and digital platforms** – The increased use of AI has also contributed to the automation of processes across a lot of financial services. AI has been crucial to the development of digital chat assistants, which provide advice to consumers without the direct intervention of a regulated intermediary such as financial advisors or managers. This has led to a significant increase in consumers’ use of digital platforms. For example, consumers’ use of digital platforms to facilitate the sale of crypto assets is expected to increase, despite the volatility of cryptocurrency markets. There is an inherent risk that consumers take on when using digital platforms to receive advice that is not tailored to their specific needs, circumstances, or level of financial literacy. This can lead to several outcomes such as being sold products that are ill-suited for their needs and/or taking on more risk than the consumer was initially comfortable with.

## Emerging issues and trends

FSRA performs ongoing scans of its regulated sectors, and financial services more broadly, to better understand trends and to identify emerging risks and potential issues which may impact consumers.

Notable trends that FSRA is currently monitoring include:

- **Environmental, social and governance (“ESG”)** – Regulated entities have been further exploring the use of ESG factors in how they assess their approach to risk and investing. This includes Diversity, Equity, and Inclusion (“DEI”) strategies to strengthen their internal governance and improve internal and external relationships. FSRA’s regulated entities are increasingly adapting to the risks associated with climate change and natural catastrophes, though the severity and frequency of specific natural disasters and events pose unique challenges.
- **Vulnerable persons** – It has been evident through research findings, such as FSRA’s 2022 Consumer Survey, that in all of FSRA’s regulated sectors, vulnerable groups tend to be less trusting, less satisfied, and less confident. Other findings through FSRA’s supervisory work have provided evidence suggesting that vulnerable consumers experience poorer outcomes, are at greater risk of being susceptible to harm (such as fraud) and may experience more issues with product accessibility and

suitability.<sup>10</sup> Some regulated entities have signaled that they are shifting their focus to how they can better ensure vulnerable persons receive an adequate level of protection.

- **Consolidation** – Financial services and pension plans are experiencing an increase in consolidation and are becoming increasingly complex. This trend is resulting in larger and more sophisticated credit unions, insurers, insurance intermediaries, mortgage brokerages, pension plans and multi-employer platforms for pensions. This includes consolidation in the number of credit unions and pension plans in Ontario specifically, which continue to decline in overall number year over year due to mergers and acquisitions. The key driving forces behind the consolidation of pension plans include benefit security for plan beneficiaries and the opportunity to maintain or introduce a defined benefit plan for the workplace.
- **Alternative and private lending** – There has been an increase in the proportion of alternative and private mortgage transactions, a consequence of decreased housing affordability. Increased reliance on private lenders increases the risk of predatory lending and unsuitable mortgage advice. These financial options can present additional risks that may not typically be associated with mortgages from traditional lenders. Furthermore, FSRA's 2022 Consumer Research Study on Mortgage Brokering highlighted that Ontarians with slight (36%), moderate (46%), and high (64%) vulnerability are significantly more likely to consider using an alternative lender or private mortgage company.<sup>11</sup>

FSRA has transitioned out of its start-up mode, where strategy revolved around a transition from legacy regulators, dealing with emerging and immediate risks, and managing strategic priorities through the pandemic. As it matures, FSRA continues to focus on its FY2023-24 priorities and the need to deliver on its statutory objects. New or revised priorities reflect an enhanced need to protect the public interest, while fostering competitive and innovative financial services sectors in Ontario. FSRA will continue to report back progress on its priorities and statutory objects while also considering the changing socio-economic climate in the province and the interaction with other entities, such as governments, the private sector, and other regulators.

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<sup>10</sup> [FSRA Consumer research | Financial Services Regulatory Authority of Ontario \(fsrao.ca\)](https://www.fsrao.ca/consumer-research)

<sup>11</sup> [2022 Consumer Research Report Mortgage Apr 26 2023 \(fsrao.ca\)](https://www.fsrao.ca/consumer-research/mortgage)

# Strategic Framework

In 2021-22, FSRA launched its Strategic Framework, which consists of four Pillars that articulate high-level strategic objectives. The Framework reflects FSRA's legislative objects and encompasses the organization's Vision, Mission and Values. FSRA's 2024-25 Annual Business Plan priorities support the Pillars.

## 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 clearly communicate our expectations to increase stakeholders' understanding of FSRA's regulatory approaches and activities.

We will continue to work with government partners to maintain an alignment of priorities.

## 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.

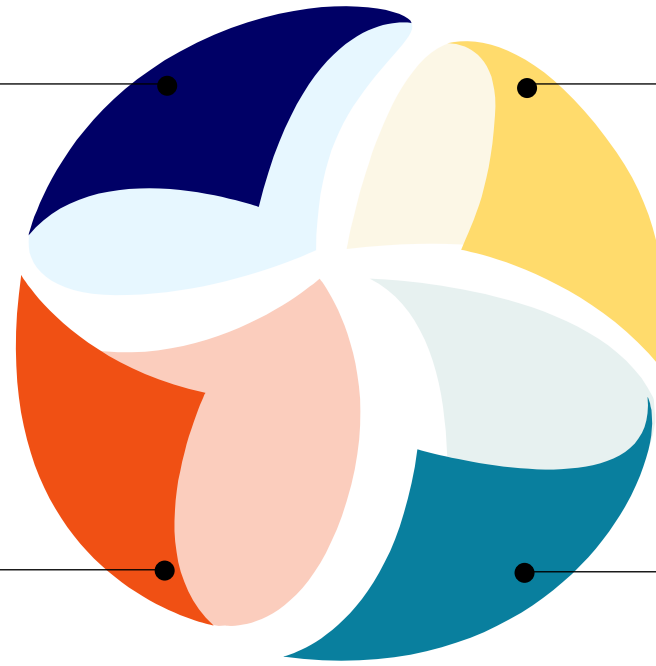
We will thoughtfully engage with regulated sectors, consumers, credit union members, and pension plan beneficiaries to understand their current and future needs.

We will enable innovation and greater choice for consumers.

We will conduct research to better understand risks 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.

[FSRA 2024-27 Annual Business Plan](#)



## 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 evidence 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 by focusing our efforts on desired outcomes.

We will build stronger relationships with other regulators through cooperation, collaboration, and sharing of leading practices.

## Attract talent and evolve our culture to achieve the mission and vision of the organization

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, held accountable, and recognized for outcomes.

# FSRA 2024-25+ Priorities

						
<p><b>Cross-Sectoral</b></p> <ul style="list-style-type: none"> <li>1. Advance the consumer interest</li> <li>2. Enable innovation</li> <li>3. Modernize systems and processes</li> </ul>	<p><b>4. Property &amp; Casualty and Auto Insurance</b></p> <ul style="list-style-type: none"> <li>4.1 Execute strategy for reforming the regulation of auto insurance rates and underwriting</li> <li>4.2 Support reforms of the auto insurance system</li> <li>4.3 Ensure the fair treatment of property and casualty insurance consumers</li> <li>4.4 Increase resilience, stability, and public confidence in the Ontario-incorporated insurance companies and reciprocals sector through supervisory excellence</li> </ul>	<p><b>5. Credit Unions</b></p> <ul style="list-style-type: none"> <li>5.1 Increase resilience, stability, and promote confidence in Ontario's credit union sector through supervisory excellence</li> <li>5.2 Enhance FSRA's regulatory framework</li> <li>5.3 Enhance financial stability structures</li> </ul>	<p><b>6. Life &amp; Health Insurance</b></p> <ul style="list-style-type: none"> <li>6.1 Strengthen Managing General Agents (MGA) regulatory framework</li> <li>6.2 Strengthen protection for consumers who invest in segregated fund contracts</li> </ul>	<p><b>7. Mortgage Brokering</b></p> <ul style="list-style-type: none"> <li>7.1 Promote strong conduct culture</li> <li>7.2 Enhance professional competence of licensed individuals</li> </ul>	<p><b>8. Pensions</b></p> <ul style="list-style-type: none"> <li>8.1 Assess systemic and high priority risks in Ontario's pension sector</li> <li>8.2 Support the development and implementation of target benefit framework</li> </ul>	<p><b>9. Financial Planners &amp; Advisors</b></p> <ul style="list-style-type: none"> <li>9.1 Ensure the effectiveness of the title protection framework for financial planners/ financial advisors</li> </ul>

# Overview of sectors

## Property and Casualty (P&C) and Auto Insurance

The P&C/auto insurance sector offers financial products designed to protect consumers and businesses against financial losses arising from owning a home, vehicle, or business. In 2022, Ontario's P&C insurance sector represented approximately \$32.1 billion in direct written premiums, 46.4% of which came from auto insurance. As at September 30, 2023, FSRA licensed and supervised (for conduct) 215 P&C insurance companies, 1,734 adjusters (both corporate and individual), 10,730 agents that sell P&C insurance in Ontario, as well as 51 Ontario-incorporated insurance companies and reciprocals which we also prudentially supervised.

FSRA's role in the sector includes:

- Licensing and supervising insurance companies, 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, including enforcement actions for non-compliance, to ensure consumers are treated fairly throughout the lifecycle of the insurance product.
- Examining the affairs of the Registered Insurance Brokers of Ontario and the Facility Association and reporting the results to the Minister.
- Conducting prudential regulation and supervision of Ontario-incorporated insurance companies and reciprocals, including providing regulatory approvals of certain transactions and investments.
- Functions specific to Ontario's auto insurance system, such as regulating auto insurance products and their underwriting, distribution, and pricing, as well as ensuring auto insurance rates are fair.

## Health Service Providers

The health service provider sector consists of approximately 4,935 licensed health services providers that invoice auto insurance companies for statutory accident benefit claims through the Health Claims for Auto Insurance system.

FSRA's role in the sector includes:

- Licensing health service providers, thereby allowing them to receive direct payments from auto insurers for benefits claimed under the Statutory Accident Benefits Schedule.
- Regulating the business and billing practices of licensed health service providers.
- Collecting information about licensed health service providers' business systems and practices through an Annual Information Return.

## Credit Unions

Credit unions credit unions are co-operative, deposit-taking financial institutions that are member-owned and member-controlled; these members are also credit union customers. As of September 2023, there are 58 credit unions in Ontario. Ontario's credit union sector has over 1.76 million members, over 8,595 staff and \$93 billion in assets (a year-over-year increase of \$5.6 billion). Ontario's credit unions are diverse in size, with total assets averaging \$1.6 billion reflecting both organic growth in the sector and consolidations (up \$293 million year-over-year).

FSRA's role in the sector includes:

- Incorporating credit unions and reviewing related documentation.
- Reviewing and approving new business activities, investment activities, and proposed transactions such as mergers, amalgamations, and the purchase and/or sale of material assets.

- Providing insurance against loss of deposits and maintaining and using the Deposit Insurance Reserve Fund (“DIRF”) as required and permitted under the *Credit Unions and Caisses Populaires Act, 2020* (“CUCPA”). FSRA’s activities in this area are guided by its statutory objects including protecting the rights and interests of consumers. In accordance with FSRA’s statutory responsibilities, it maintains the DIRF which is used to pay credit union deposit insurance claims as well as for other authorized purposes specified in the CUCPA.
- Prudential oversight of credit unions to minimize the risk of loss to depositors and the DIRF and to contribute to the stability of the sector, while allowing credit unions to take reasonable risks. This helps to foster a strong, stable sector by ensuring that credit unions meet the capital, liquidity, and other requirements in the CUCPA 2020, related regulations and FSRA rules and guidelines.
- Regulating the conduct of credit unions (e.g., by ensuring that they are aligned with sound business and financial practices and adhere to their market conduct codes as required under the CUCPA 2020). This will ensure members are treated fairly and their complaints are handled in an appropriate manner.

## Life and Health Insurance

The life and health insurance sector provides comprehensive financial products to help individuals protect themselves and their families from financial hardship in the case of death or illness. In 2022, Ontario’s life and health insurance sector represented approximately \$33.6 billion in direct written premiums. Products include life and health insurance, as well as wealth products like segregated funds and annuities.

In FY2022-23, FSRA licensed approximately 93 life and health insurance companies, over 6,000 life insurance corporate and partnership agents, and over 57,000 individual life insurance agents.

FSRA’s role in the sector 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 helps to facilitate home ownership for many Ontarians. In 2022, mortgage brokerages arranged over 341,000 mortgages in Ontario, valued at approximately \$190 billion.<sup>12</sup> In Ontario, all individuals and businesses that carry on mortgage brokering and administration activities are required to be licensed with FSRA, unless they are explicitly exempted from licensing under the *Mortgage Brokerages, Lenders and Administrators Act, 2006* (MBLAA).

As at September 30, 2023, FSRA regulated 1,244 mortgage brokerages, 3,133 mortgage brokers, 6,222 mortgage agent Level 1, 9,685 mortgage agent Level 2 and 260 mortgage administrators in Ontario.

FSRA's role in the sector includes:

- Licensing mortgage brokerages, brokers, agents, and administrators to ensure they comply with the MBLAA.
- Regulating the conduct of the sector's licensees to ensure the fair treatment of consumers (borrowers and/or lenders/investors).

## Pensions

Registered pension plans provide an important source of retirement income to many employees and retirees in Ontario. FSRA's prudential supervision is risk-based and premised on the view that the plan must be administered, and its assets invested in line with a plan administrator's fiduciary duty. FSRA regulates pension plans registered in Ontario and is the largest pension regulator in Canada with approximately 4,500 plans under supervision investing \$871 billion of assets and providing pension benefits to nearly 4.4 million members. Most members and assets are in defined benefit plans (with assets of approximately \$838 billion in Defined Benefit (DB) plans (including Single-Employer Pension Plans, Multi-

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<sup>12</sup> FSRA 2022 Annual Information Return.



Employer Pension Plans, and Jointly Sponsored Pension Plans) and \$33 billion in Defined Contribution (DC) plans).

FSRA's role in the sector includes:

- Supervising pension plans and pension funds to ensure they are being administered, invested, and funded in accordance with legal requirements and that plan fiduciaries are fulfilling their obligations.
- Ensuring good administration of pension plans and ensuring that the rights and benefits of plan beneficiaries are protected.
- Registering new pension plans and pension plan amendments.
- Processing required filings and applications from plan administrators.
- Investigating alleged breaches of the *Pensions Benefits Act* (“PBA”) and taking enforcement action when required.
- Supporting FSRA’s CEO in their role to administer the Pension Benefits Guarantee Fund (“PBGF”) and collecting PBGF assessments.
- Responding to inquiries and complaints from pension plan members.

## **Financial Planners / Financial Advisors**

The Financial Professionals Title Protection Framework (FPTPF) was implemented on March 28, 2022. The FPTPF limits the use of the “financial planner” (FP) and “financial advisor” (“FA”) titles in Ontario to those who have an approved credential from a FSRA-approved credentialing body.

The FPTPF promotes confidence and professionalism in the sector by ensuring that individuals using the FP and FA titles are appropriately qualified through meeting minimum standards. It also reduces confusion regarding the wide array of titles and credentials in the financial services marketplace.

As at December 31, 2023, FSRA has approved 4 credentialing bodies and 9 credentials. There are approximately 17,000 credential holders permitted to use the FP and FA titles in Ontario.

FSRA's role in the sector includes:

- establishing minimum standards for credentialing bodies and FP and FA credentials
- approving credentialing bodies and FP and FA credentials
- monitoring and supervising approved credentialing bodies
- investigating complaints against:
  - approved credentialing bodies
  - organizations carrying on business as an approved credentialing body or claiming to offer an approved credential without FSRA's approval
  - individuals who use the FP or FA title, or a title that could be confused with Financial Planner or Financial Advisor, without an approved credential
- taking enforcement action for breaches of the *Financial Professionals Title Protection Act, 2019*

## Co-operative Corporations

A co-operative is a legally incorporated corporation that is owned by its members, who use the co-operative's services or purchase their products. FSRA aims to better protect co-op members and investors who purchase shares in co-ops. FSRA does not regulate co-ops, its role in the sector is limited to carrying out powers and duties under the *Co-operative Corporations Act* related to offering statements issued by co-ops when raising capital from investors. As at September 30, 2023, there are 2,418 co-operative corporations ("co-ops") in Ontario, which operate in a variety of industries (e.g., housing, agriculture, daycare, etc.).

FSRA received 7 offering statements from co-ops for the period April 1, 2023, to September 2023. Of the 7 offering statements received 4 were receipted by FSRA's CEO by September 30, 2023, and 3 were receipted afterwards. FSRA also completed 4 offering statements which were filed in the previous financial year (FY2022-23), of which 3 were receipted and 1 was closed without a receipt.

## Loan & Trust

Loan and trust companies fulfill an important role in Ontario's financial services sector. They accept deposits and provide loans to help purchase homes, businesses, vehicles and more.

FSRA is responsible for the registration of all federally incorporated loan and trust corporations that do business in Ontario, under the *Loan and Trust Corporations Act*. This includes enforcing compliance with the legislation and may also include taking enforcement action against unregistered activity. As at September 30, 2023, there are 50 loan and trust companies that are registered to do business in Ontario. FSRA had two approvals of new loan and trust company registrations in 2022, however there have been none in 2023.

Calendar year 2023 was focused on drafting clarification and interpretation of the requirements for registration of loan and trust companies in Ontario.

## Statement of Priorities

### 1. Advance the consumer interest

#### Overview

FSRA regulates and supervises sectors that serve Ontarians on a day-to-day basis and in some of the most important parts of their life. To successfully deliver financial safety, fairness, and choice for Ontarians, FSRA aims to:

- Build consumer awareness and education to advance FSRA's statutory object to protect the rights and interests of consumers.
- Better understand consumer perspectives and act with a focus on consumer outcomes.

- Effectively enforce regulatory requirements to maintain high standards of business conduct and deter misconduct and fraud.

The Consumer Office works closely with FSRA partners to amplify the voice of consumers, build strategic foundations, and develop policy advice on cross-cutting issues and opportunities. FSRA's enforcement function investigates suspected non-compliance referred to it by the core regulatory areas or through the whistleblower program and takes action to impose sanctions and remedial measures, as appropriate.

## **Outcomes we are seeking**

- A consumer centric culture at FSRA in which a broad range of consumer voices inform FSRA's strategic direction as well as its regulatory and supervisory activities.
- Enhanced protection of consumer rights and interests with an emphasis on vulnerable consumers.
- Enforcement that is balanced, transparent, effective and considers the impact of non-compliance on consumers.

## **Key activities to achieve outcomes**

- Identify and act on opportunities to better protect vulnerable consumers, such as improving capacity and/or processes to help identify risks of consumer harm for vulnerable groups.
- Build awareness of key consumer issues through different tools, including:
  - the publication and promotion of FSRA's consumer research agenda, this includes adopting an open data approach to any survey research
  - earned and paid media targeting vulnerable consumers on key risks
- Expand the existing framework for the effective, fair, and transparent use of FSRA's investigation and enforcement tools across FSRA sectors to reinforce consumer-centric supervisory processes and to deter misconduct.

## 2. Enable Innovation

### Overview

Enabling innovation in the regulated sectors is a foundational part of FSRA's mandate as a regulator. The Innovation Office promotes innovative thinking and helps innovators develop their ideas to enable 'responsible innovation'. Some keyways the Innovation Office does this is through its Innovation Framework, its Test and Learn Environment ("TLE"), and other tools at its disposal. FSRA will build and learn from current activities to broaden awareness of the Innovation Office, to expand the TLE and to identify the best use of FSRA's regulatory tools to support innovation. The Innovation Office will continue to monitor key technological trends and work with the regulated sectors and other market participants to identify new opportunities and barriers to innovation.

### Outcomes we are seeking

- Strengthened brand recognition of FSRA as a regulator that supports and enables innovation and is open to collaboratively identifying new innovation opportunities.
- Broader awareness and interest in the TLE and Innovation Framework from innovators interested in Ontario's financial services to improve participation in the TLE.

### Key activities to achieve outcomes

- Continue to enhance engagement with innovative organizations and the broader stakeholder community to identify collaboration opportunities and continuing to promote FSRA's Innovation Framework and TLEs to help build a pool of potential or actual test partners for future or current testing.

## 3. Modernize systems and processes

### Overview

FSRA is continuing to modernize processes and systems. This commitment will enable FSRA to operate as a high-performing regulator by developing and enabling processes that promote evidence-based and risk-based decisions. FSRA is following a multi-year roadmap (the

“roadmap”) for its technology and information systems to support its core regulatory activities and procedures. 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 workflows and operational processes and system improvements.

## **Outcomes we are seeking**

- 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, better 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 and other stakeholders.

## **Key activities to achieve outcomes**

- Implement technology solutions to enable simplified and fully digitized operations, including a 360-degree view of regulated entities, case management, content management and data analytics tools, with enhanced client portals.
- Implement advanced online information sharing on FSRA portals.
- Extend 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, enhance infrastructure, establish new data interfaces (both new sources and improved exchanges), and implement advanced analytics and reporting systems to enable more efficient decision-making.

## 4. Property & Casualty and Auto Insurance priorities

### 4.1 Execute 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 rules will make the oversight more dynamic, flexible, and transparent for Ontario's consumers to ensure fair rates and underwriting.

#### Outcomes we are seeking

- A reformed supervisory framework for auto insurance rate and underwriting regulation to ensure fairer treatment of consumers and to promote a more competitive and sustainable market.
- Improved sector operations through a supervisory framework that sets out FSRA's process reforms that enable market entry, responsiveness, innovation and deliver value-for-money to consumers.
- Consumers are empowered to make more informed decisions by enhancing transparency and providing resources to enhance the understanding of auto insurance.

#### Key activities to achieve outcomes

- Develop, consult on, and issue fairness Guidance to better define just and reasonable (not excessive) rates and appropriate underwriting rules.
- Develop and implement a framework to more effectively review rates and underwriting rules, and supervise insurer governance, controls and processes related to developing and administering rates and rules.
- Improve transparency for consumers to create awareness, support informed decision-making, and make regulated entities accountable.

## 4.2 Support reforms of the auto insurance system

### Overview

FSRA is continuing to support the government's initiatives to reform the auto insurance product, in addition to providing expert advice to inform government choices.

### Outcomes we are seeking

- Improved ability to quantify, better detect, prevent, and deter auto insurance fraud.
- Improved auto insurance product that better serves consumers.

### Key activities to achieve outcomes

- Develop and implement initiatives to reduce fraud and abuse in the system, and develop a new Fraud Reporting Service Rule and Guidance.
- Support the government on the implementation of auto insurance reform initiatives.

## 4.3 Ensure the fair treatment of property and casualty insurance consumers

### Overview

FSRA continues to monitor and supervise the Property & Casualty ("P&C") insurance sector to encourage high standards of conduct in the interest of building public confidence and consumer protection. FSRA has started and continues to build supervision capacity and market intelligence in the P&C sector. Through its supervision work, FSRA intends to develop a deeper understanding of the entities involved in product manufacturing, distribution, claims management and service to ensure fair outcomes for consumers.

### Outcomes we are seeking

- Fair treatment of customers in the P&C sector through efficient and effective regulation that protects the rights and interests of consumers and promotes high standards of business conduct and public confidence.



## Key activities to achieve outcomes

- Build on FSRA’s current supervision activities to develop and implement a market conduct framework for P&C insurance to address priority areas for supervision, including insurance distribution and claims management.

## 4.4 Increase resilience, stability, and public confidence in the Ontario-incorporated insurance companies and reciprocals sector through supervisory excellence

### Overview

As part of FSRA’s multi-year initiative to transform its supervisory approach and satisfy its statutory objects, FSRA is implementing the Risk Based Supervisory Framework for Ontario-Incorporated Insurance Companies and Reciprocals (“RBSF-I”). This framework sets out practices for integrated market conduct and prudential supervision. FSRA has developed a 4-year work plan for prudential rules and Guidance for insurers and will continue to carry out the initiatives identified over the course of this year. The initiatives set out, combined with the continued implementation of the RBSF-I, is a guide for FSRA in its assessment and supervision of the Insurers while continuing to build prudential and market conduct supervisory integration, capacity, and capability.

### Outcomes we are seeking

- A better-governed and stronger Ontario-incorporated insurance companies and reciprocals sector.
- Enhanced resilience of insurers and reduction in the likelihood of failure.
- A strong, stable, and resilient sector where policyholders and consumers are protected and have confidence in the sector.
- Improved transparency for insurance stakeholders.

## Key activities to achieve outcomes

- Complete and maintain accurate and consistent risk profile assessments of insurers.

- Develop tools and build capabilities to incorporate enhanced information collection into the supervisory approach.
- Develop, consult on, and issue Guidance that enables effective regulation and supervision of insurers.
- Enhance stakeholder awareness by continuing to improve their understanding of FSRA’s supervisory approach and regulatory requirements.

## **5. Credit Union priorities**

### **5.1 Increase resilience, stability, and promote confidence in Ontario’s credit union sector through supervisory excellence.**

#### **Overview**

FSRA is continuing to advance its integrated, comprehensive, and continuous supervisory approach under the Risk Based Supervisory Framework for credit unions (“RBSF-CU”), and modernizing data systems to better analyze, manage and monitor risks. FSRA will use evidence identified from its supervisory assessments and monitoring of activities to better inform future needs and enhancements of the approach, methodology, and framework. This will promote sector resilience, better protect depositors, enhance sector stability, and improve regulatory efficiency.

#### **Outcomes we are seeking**

- A better-governed and stronger credit union sector.
- Enhanced credit union resilience and reduction in the likelihood of failure.
- Improved protection of members and their deposits to foster public confidence in the credit union sector.

## Key activities to achieve outcomes

- Continue to incorporate risk data received through Enhanced Data Collection into the supervisory approach to assess the risk profiles of credit unions more accurately and consistently.
- Complete and maintain accurate and consistent risk profile assessments of credit unions.

## 5.2 Enhance FSRA's regulatory framework

### Overview

FSRA is continuing to enhance the regulatory framework for Ontario credit unions by way of rules and Guidance that promote high standards of business conduct, sector stability, confidence in the sector, and the protection of credit union depositors, members, and consumers.

In FY2022-23, FSRA engaged with key credit union stakeholders to develop a 5-year work plan for rules and Guidance impacting the sector. FSRA continues to work with the Ministry of Finance and key stakeholders in a transparent and collaborative manner to carry out the initiatives set out in the work plan. FSRA will address areas of emerging risks and ensure that the regulatory framework remains effective in enabling FSRA to carry out its statutory objects for the credit union sector.

### Outcomes we are seeking

- A stable and resilient credit union sector in Ontario with better alignment of capital and risk.
- Better protection of credit union members' rights and their deposits.
- Continued transparency among credit union stakeholders.

### Key activities to achieve outcomes

- Review FSRA's Capital Adequacy Framework (including the Capital Adequacy Requirements Rule and related Guidance), Liquidity Adequacy Framework (including

Stress Testing Guidance and Liquidity Guidance) and the Securitization Guidance to identify and make preliminary recommendations on elements to be added or amended.

- Develop and publicly consult on a new Unclaimed Deposits Rule, and subject to approval by the Minister of Finance, issue the Rule, to fully bring the *Credit Unions and Caisses Populaires Act, 2020* framework into effect.
- Enhance stakeholder engagement by continuing to improve understanding of FSRA's supervisory approach and expectations (i.e., Annual FSRA conference for Credit Union Board of Directors etc.).

## 5.3 Enhance financial stability structures

### Overview

FSRA continues to promote a stable and resilient credit union sector through enhanced financial stability structures such as the Deposit Insurance Reserve Fund (“DIRF”), a robust resolution regime, and enables access to emergency liquidity. These structures ensure members’ deposits are protected, particularly during stressful events, and promote sector stability.

### Outcomes we are seeking

- Reduced exposure of the DIRF to loss.
- Strengthened depositor protection and sector stability.
- Public confidence in credit unions.

### Key activities to achieve outcomes

- Enhance credit unions' access to adequate emergency funding during idiosyncratic and systemic stress to reduce the likelihood of disrupted credit union operations and service to members.
- Continue to work with credit unions to develop and enhance credible recovery, and provide resolution plans for materially-sized credit unions.

- Enhance the modelling and analytics of the DIRF Adequacy Assessment Framework by including additional risk data received from Ontario credit unions through the Enhanced Data Collection project, and considering the introduction of stochastic modelling.

## **6. Life and Health Insurance priorities**

### **6.1 Strengthen Managing General Agents (“MGA”) regulatory framework**

#### **Overview**

FSRA continues to identify consumer risks and gaps in market conduct compliance, particularly in independent distribution channels such as MGAs.

In response, FSRA is strengthening the regulatory framework to address potential consumer risks and challenges posed by the MGA distribution channel and continuing proactive and risk-informed supervision under its Life Agent Supervisory Framework.

#### **Outcomes we are seeking**

- The obligations of insurers, MGAs and sales agents in product sales/service are clear, particularly in relation to distribution practices.
- Consumers are treated fairly and sold products that suit their needs based on advice provided by an adequately trained/monitored life agent.

#### **Key activities to achieve outcomes**

- Issue the final Life Insurance Agent & MGA Licensing Suitability Guidance, and implement it through a supervisory framework.
- Identify remaining gaps in the regulatory framework for Life and Health Insurance MGAs, consult with relevant stakeholders on gap closure, develop a plan for gap closure (which may include a proposed rule), and start implementation of the plan.

## 6.2 Strengthen protection for consumers who invest in segregated fund contracts

### Overview

FSRA is continuing to enhance standards for the design, distribution, and administration of segregated fund contracts. These standards will help ensure agents give customers suitable advice. They will also give customers the information they need to understand the contracts in which they invest, including what they pay to invest, and help them to make suitable choices about insurance and investments.

### Outcomes we are seeking

- Insurers and agents put customers' interests first and manage conflicts of interest appropriately when they design, sell and administer segregated fund contracts.
- Agents take appropriate steps to ensure they understand the products they sell and their customers' needs, give suitable advice about how segregated fund contracts can meet those needs, and give customers the information they need to make suitable choices.
- Insurers train and monitor agents to ensure they make suitable recommendations and provide appropriate service over the lifetime of the contracts.

### Key activities to achieve outcomes

- Work with the Canadian Council of Insurance Regulators ("CCIR") and Canadian Insurance Services Regulatory Organizations ("CISRO") to create consolidated national Guidance relating to the design, distribution, issuance, sale, and administration of individual segregated fund contracts.
- Complete public consultation on the proposed Total Cost Reporting Rule for individual segregated fund contracts (and supporting Guidance, if required) to be consistent with the CCIR national Guidance to address related gaps in consumer protection.

- Begin development of a rule and interpretation Guidance on other matters related to individual segregated fund contracts to be consistent with the CCIR and CISRO consolidated national Guidance to address related gaps in consumer protection.

## 7. Mortgage Brokering priorities

### 7.1 Promote strong conduct culture

#### Overview

FSRA is continuing to actively promote strong conduct culture in the sector in 2023-25. A firm's conduct culture drives the norms, attitudes and behaviours of its management and staff with respect to treatment and outcomes for their customers.

#### Outcomes we are seeking

- Governance, controls, and processes at licensed firms help ensure these firms and their licensed individuals make decisions and carry out their business activities in a manner that delivers fair outcomes for their clients and fulfills regulatory requirements.
- Brokerages, administrators and their directors, officers, and partners (including principal brokers) are accountable for and proactively ensure fair outcomes for clients.
- Consumers receive mortgage advice that is suitable to them based on their needs and circumstances.

#### Key activities to achieve outcomes

- Develop rules and accompanying Guidance to enhance principal broker effectiveness.
- Commence supervision against regulatory requirements outlined in the mortgage suitability Guidance.
- Implement a risk-based conduct intervention approach to address deficiencies in a licensed firm's operations or misconduct in a proportional way based on impact on consumer protection.

- Analyze and publish private lending data to monitor trends and to identify potential consumer protection risks in support of risk-based supervision.

## 7.2 Enhance professional competence of licensed individuals

### Overview

Professional competence ensures that brokers and agents have the necessary knowledge and skills to provide clients (borrowers and/or lenders/investors) suitable recommendations for mortgages and/or mortgage investments based on the client's needs and circumstances. Industry participants have continuously made suggestions to strengthen the proficiency and education of mortgage brokers and agents to increase the sector's overall professional standards.

FSRA will finalize its work of enhancing the educational requirements of this sector, which is critical in an uncertain market with changing interest rates and high rates of inflation. Within this environment, consumers may be driven to mortgages funded by alternative and private lenders. Enhanced competency and a more systematic approach to assessing the suitability of a mortgage recommendation will help brokers and agents better serve their clients.

### Outcomes we are seeking

- Agents and brokers are equipped with appropriate competencies to work with increasingly sophisticated options and products for consumers in a complex financial services industry.
- Consumers receive recommendations for mortgages/mortgage investments that are suitable for their specific circumstances and needs, protect their rights and interests, and promote high standards of business conduct and public confidence in the sector.

### Key activities to achieve outcomes

- Publish final Guidance that outlines FSRA's interpretation of how it evaluates the suitability of mortgage brokers and agents to hold a licence.
- Publish final Guidance on mortgage product suitability to codify industry best practices and supervise against it.



- Develop and implement a framework to supervise against the licensing suitability Guidance that leverages the governance, controls, and processes within licensee firms to help achieve the desired outcomes.
- Implement enhanced competency and continuing education frameworks for brokers and agents.

## 8. Pension priorities

### 8.1 Assess systemic and high priority risks in Ontario's pension sector

#### Overview

FSRA supports the good administration of pension plans and the protection of benefits in Ontario's pension sector through various initiatives. Many of the initiatives that FSRA implemented over the past four years are now part of FSRA's on-going regulatory and supervisory activities.

Over the fiscal year 2024-25, FSRA will focus regulatory resources and efforts on the assessment of systemic and high-priority risks in Ontario's pension sector:

- review and enhance FSRA's supervisory framework to strengthen prudential supervision of large public sector pension plans ("LPSPPs")
- deliver regulatory excellence with a priority focus on plan amendments and surplus applications that is principles-based and outcomes-focused
- continue to review the long-term viability and financial sustainability of the Pension Benefits Guarantee Fund, including the impact of the federal *Pensions Protection Act* (Bill C-228)

#### Outcomes we are seeking

- Identify and help proactively mitigate potential risks and reduce possible harms.

- Maintain public confidence in the pension sector.
- Preparedness for full implementation of the federal Pension Protection Act, including supporting the Government with its mandated reviews of the PBGF.
- Transparency of FSRA's pension supervisory activities to those with a need to know.

## **Key activities to achieve outcomes**

- Finalize and implement the prudential supervisory Guidance for LPSPPs.
- Develop the prudential supervision approach, tools, and capabilities to effectively implement the LPSPPs supervisory framework.
- Publish the final plan amendment Guidance and initiate stakeholder engagement on an updated draft surplus Guidance.

## **8.2 Support the development and implementation of target benefit framework**

### **Overview**

FSRA is supporting the government in its development and implementation of a new target benefit framework for eligible multi-employer pension plans (“MEPPs”), as announced in the 2022 Ontario Budget released on April 28, 2022. This will require FSRA to develop and implement a supervisory approach, tools, and methods that it will use in its proactive supervision.

### **Outcomes we are seeking**

- Support the successful implementation of the new target benefit framework.
- Adoption of effective funding and governance policies by MEPPs that provide target benefits.
- Members understand the reducibility nature of their target benefit plans.
- Identify and proactively mitigate potential risks and reduce possible harms to target benefit beneficiaries.

## Key activities to achieve outcomes

- Publish for consultation the draft prudential supervisory Guidance for target benefit plans.
- Develop and implement supervisory approach, tools, and resources to effectively supervise target benefit plans.
- Publish a benchmarking report of defined benefit multi-employer pension plans against FSRA’s published leading practices.

## 9. Financial Planner/Financial Advisor priorities

### 9.1 Ensure the effectiveness of the title protection framework for financial planners/financial advisors

#### Overview

The Financial Professionals Title Protection Framework (“FPTPF”) is intended to promote confidence and professionalism in the sector by ensuring that individuals using the Financial Planner (“FP”) / Financial Advisor (“FA”) titles are appropriately qualified by meeting minimum standards. Consumers who work with an FP or FA can have confidence that they are dealing with an individual who:

- has a minimum standard of education
- is actively supervised by an approved credentialing body
- is subject to a complaints and discipline process

A way to ensure the effectiveness of the title protection framework is through national harmonization of minimum standards and a robust oversight program that holds credentialing bodies, and by extension credential holders, to a high standard of professionalism and accountability.

The FPTPF’s third year of operation corresponds with the end of the transition period for individuals using the FA title. After March 28, 2024, previously grandfathered individuals who

wish to continue to use the FA title in Ontario will be required to obtain an approved credential from a FSRA-approved credentialing body.

FSRA will also focus resources on consumer education to create awareness of the framework and provide consumers with the information they need to make informed decisions when choosing an FP or FA.

## **Outcomes we are seeking**

- Protect consumers through effective oversight of credentialing bodies and individuals misusing the FP and FA titles.
- Harmonize, to the extent possible, with other Canadian jurisdictions' title protection frameworks.
- Ensure individuals using the FP/FA title are appropriately credentialed post-transition.

## **Key activities to achieve outcomes**

- Implement a supervision plan for approved credentialing bodies and individuals who use the FA title without an approved credential, including developing the necessary supervisory tools, resources, and capabilities to implement the plan.
- Continue to work with other Canadian jurisdictions to implement similar title protection frameworks.
- Publish a report on framework evaluation, which would explore possible future enhancements to the framework.
- Conduct a targeted campaign for businesses to assess and improve compliance with title usage.

# Performance measures and targets

In 2022-23, FSRA participated in a value-for-money (“VFM”) audit, the first since its launch in June 2019.

The results of the audit were published on November 30, 2022, by the Office of the Auditor General of Ontario (“OAGO”), titled ‘Value-for-Money Audit: Financial Services Regulatory Authority: Regulation of Private Passenger Automobile Insurance, Credit Unions and Pension Plans’<sup>13</sup>. The audit report included 18 recommendations and 60 action items for FSRA and the Ministry of Finance, many of which were intended to help FSRA accelerate its efforts to protect consumers and contribute to public confidence.

The VFM Audit also recommended that FSRA develop and track informative and specific performance measures and targets that better align with FSRA’s annual mandate, and report on progress against these targets on an annual basis.

In response to the OAGO’s recommendation, FSRA adopted a new approach to develop both output and outcome-based performance measures and targets. New draft performance measures have been developed using the FSRA Strategic Framework as the foundation.

FSRA developed 28 draft performance measures. Over the course of FY2024-25, FSRA will be consulting with its stakeholders to learn if they find the draft measures and targets meaningful and appropriately calibrated, and to gather feedback that will reinforce its credibility and commitment to transparency, accountability, and fairness. The draft performance measures and targets will be finalized considering stakeholder comments and then included in the FY2025-28 ABP.

In addition to the draft performance measures, FSRA continues to track and report on its Service Standards that are focused on the delivery of FSRA’s core business function in the Property and Casualty (Auto), Prudential Insurance, Credit Union, Market Conduct, and Pension sectors.

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<sup>13</sup> [https://www.auditor.on.ca/en/content/annualreports/arreports/en22/AR\\_FSRA\\_en22.pdf](https://www.auditor.on.ca/en/content/annualreports/arreports/en22/AR_FSRA_en22.pdf)

# Risk identification, assessments and mitigation strategies

FSRA's Enterprise Risk Management Framework ("ERM Framework") is operationalized and governed using the Three Lines Model<sup>14</sup>. As the First Line, business units own the risks and are responsible for risk identification, assessment, and mitigation to manage risks within acceptable tolerance levels. The Second Line is the responsibility of Risk Management who performs oversight, monitoring, and reporting of risks on the enterprise level. As 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 ("RMC"), and the Audit Finance Risk Committee ("AFRC") respectively.

FSRA has a Board-approved Risk Appetite Statement ("RAS") in place to facilitate risk-based decision making. The RAS guides FSRA in delivering its mandate and fulfilling its strategic goals while taking on acceptable risks. In its operationalization, risk profiles are regularly monitored against the risk appetite and reported to the RMC and AFRC. FSRA reviews its RAS regularly to ensure its appropriateness.

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

FSRA's Privacy Risk Management is continuously strengthened through the implementation and updating of FSRA's Protection of Personal Information Policy in addition to the Privacy Breach Reporting Policy, and awareness and training. FSRA evaluates projects that involve the collection, retention, use and/or disclosure of personal information to ensure compliance with the Freedom of Information and Protection of Privacy Act ("FIPPA").

As the operationalization of the ERM Framework matures, FSRA can remain flexible and meet the demands of the changing risk landscape.

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<sup>14</sup> For more details, please refer to "Three Lines Model" by The Institute of Internal Auditors.  
[FSRA 2024-27 Annual Business Plan](#)

FSRA is closely monitoring the major risks identified in Table 1. In response, FSRA continues to implement 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 <sup>15</sup>	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><a href="#">16</a></p>	<p>The DIRF is managed as a segregated fund. The Statutory Funds Advisory Committee has oversight of the funds.</p> <p>The latest DIRF adequacy assessment was conducted using more granular liquidity data collected from credit unions following issues experienced by regional banks in 2023. The assessment indicated that there is a significant gap between the DIRF and funds required to pay depositors in a severe crisis. FSRA engaged with the Ministry of Finance on strategies to increase the size of the DIRF and to establish new DIRF targets that accurately reflect the needs of the sector. Consultation with the credit union sector will follow those discussions and will include discussions with the DIRF Technical Advisory Committee which was established to advise FSRA on initiatives such as the DIRF Adequacy Assessment Framework</p>

<sup>15</sup> Year-over-year Trend.

<sup>16</sup> While the risk rating remains unchanged as Medium-High, there is an observed deteriorating YoY trend in the DIRF risk. This trend is primarily attributed to the challenging macroeconomic environment and an increased DIRF requirement.

and DIRF premiums.

FSRA closely monitors risks, liquidity, and capital ratios at all credit unions, through regulatory filings, environmental scans and supervisory reviews, and provides early intervention when necessary. The Enhanced Data Collection initiative will: provide more granular data for all credit unions, enhance FSRA’s ability to supervise more effectively, and enhance FSRA’s ability to intervene proactively as needed to reduce the risk of a payout through the DIR. The data will also enable more precise assessments of DIRF adequacy.

Financial stability structures (emergency liquidity, financial assistance and payout)

- Risk of not having established adequate emergency liquidity access for credit unions in times of crisis.

Medium-High



A \$2 billion line-of-credit with the Ontario Financing Authority (“OFA”) was renewed and is now better structured to enable FSRA to provide emergency liquidity to otherwise viable credit unions experiencing short-term liquidity stress. This helps to maintain stability and confidence in the sector.

A Memorandum of Understanding (“MOU”) with the British Columbia Financial Services Authority (“BCFSA”) is in place to enable the exchange of data including Central 1 (“C1”) liquidity information which aids effective oversight.

FSRA published Recovery and Resolution Planning Guidance and is working with credit unions to align with that Guidance to increase their resiliency and reduce the likelihood of their failure.

The federal Minister of Finance recently committed to changes to the Canada Payments

<sup>17</sup> The risk of financial stability structures (Emergency liquidity, financial assistance, and payout) was previously named as the risk of Limited access to emergency liquidity funding for credit unions in last year’s Annual Business Plan.



Act that would allow certain Ontario credit unions to access the Bank of Canada’s emergency liquidity facilities. While this removes a major barrier to accessing additional liquidity, there continues to be uncertainty around the timing of access and the proportion of the sector that will be covered. FSRA will be working with the Bank of Canada, Payments Canada, the provincial Ministry of Finance, and the credit union sector to provide clarity on timing and coverage and develop a plan for implementation.

Insufficient Pension Benefits Guarantee Fund (“PBGF”)

- 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.

Low



<sup>18</sup>

The CEO of FSRA is responsible for the administration of the PBGF. The Statutory Funds Advisory Committee provides advice to the CEO of FSRA on PBGF-related matters.

FSRA continues to focus on prudentially supervising SEPPs for early risk identification, monitoring and intervention, to ensure a more effective funding of pension plans to minimize potential claims to the PBGF.

To support the CEO of FSRA, FSRA promotes good risk management and governance of assets in the PBGF, including stress testing, use of conservative margins, and more effective investment strategy. As part of its investment strategy, PBGF has moved its investment management to the Investment Management Corporation of Ontario (“IMCO”).

In addition, FSRA is building in-house predictive analytic capabilities to better assess the potential PBGF risk exposures.

<sup>18</sup> Last year, the risk of Insufficient Pension Benefits Guarantee Fund was rated Medium. The risk has improved due to the transfer of investment management and PBGF Risk Appetite Statement.

## 2. Organizational maturity challenges

Legacy: Unsupported software & technology stack and legacy domains

- Risk that key business applications are using outdated and unsupported technology stack, security patches are unavailable, and applications run into issues that cannot be resolved in a timely manner.

Medium-High



<sup>19</sup>

FSRA continues with its transformational FSRA*Forward* Program, which aligns processes, data, technology, and stakeholder interactions with FSRA's vision and priorities. This blueprint proposes a phased approach to IT Capital investment, ensuring appropriate oversight and risk mitigation. The FSRA*Forward* program replaces the legacy applications and the program will be completed by 2025.

IT Service Management, Vulnerability Management Program, Disaster Recovery Plan, and regular data backup are in place, serving as compensating controls.

Modernization efforts to reduce operational and security risks, improve productivity, and reduce technical debt continue.

Cybersecurity

- 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.

Medium



FSRA has a well-established multi-year cybersecurity program including governance, a service delivery model, and a roadmap with detailed steps to mitigate significant and emerging cybersecurity exposures.

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.

FSRA's cyber posture is periodically assessed based on the National Institute of Standards and Technology framework.

<sup>19</sup> Last year, the risk of Legacy: Unsupported software & technology stack and legacy domains was rated Medium. The risk has deteriorated due to the delay of FSRA Forward implementation.

## Regulatory & Cultural Transformation

- 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.

Medium



As part of its regulatory and cultural transformation, FSRA embraced a principles-based and outcomes-focused approach to regulation. This enables FSRA to respond quickly to innovation and disruption, focus on regulatory outcomes, and reduce regulatory burden by providing flexibility to regulated entities and individuals.

To facilitate its cultural transformation, FSRA continues to implement its strategic initiatives which reinforce a culture of strong engagement and inclusiveness. FSRA is also investing in learning and development. FSRA utilizes FSRA Voices as a key tool to monitor engagement and culture.

In addition to setting and monitoring progress against transformational priorities, FSRA regularly measures and publishes the results of service standards. The standards are aligned with FSRA's key priorities and existing resources, enabling FSRA to deliver its committed regulatory services while continuing to transform.

### 3. Emerging risks

#### Macroeconomic & Systemic

- Risk that the economic downturn brought about by a crisis (e.g., geopolitical tensions, global recession, unemployment, high

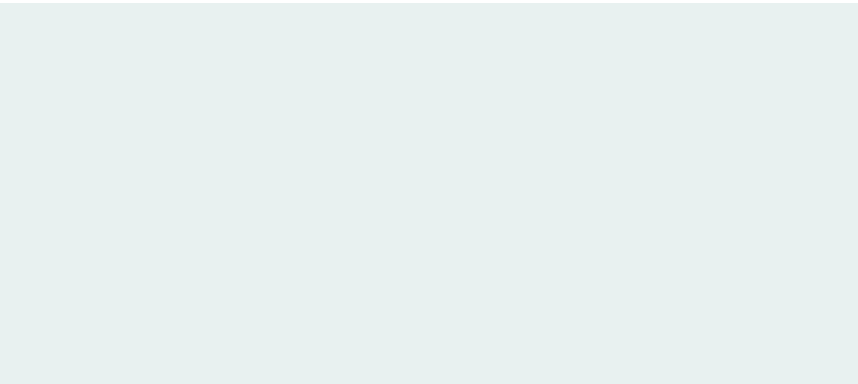
Medium-High



FSRA is progressing on risk-based supervision, promoting effective governance, and risk management in the regulated sectors.

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

inflation, interest rate risk, climate change) may threaten the financial soundness and stability of regulated entities in FSRA's regulated sectors.



Operational Resilience

- Risk of service disruption due to events such as cybersecurity, physical disaster, and systemic risk events. It would pose significant challenges to FSRA in delivering its regulatory services and mandates on a timely basis.



FSRA continues to proactively enhance its operational resilience. 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
- Cyber Security Incident Response Plan
- Systemic Risk Playbook
- Physical Disaster Playbook
- Individual Cyber Security Playbooks

# Financial information

The Fiscal Year (“FY”) 2024-25 budget for FSRA aligns with its mandate to function as an empowered, principles-based regulator. This budget facilitates FSRA's ability to meet its regulatory obligations and focus on its priorities during its fifth year of operation.

The table below outlines FSRA's Board approved budget for the FY2024-25 (April 1, 2024, to March 31, 2025). It includes a comparison with the previous year (FY2023-24) and outlines plans for the subsequent two years (FY2025-26 and FY2026-27).

(\$000's)	<i><b>FY2023-24 Budget</b></i>	<i><b>FY2024-25 Budget</b></i>	<i><b>FY2025-26 Plan</b></i>	<i><b>FY2026-27 Plan</b></i>
Activity and Licensing Fees	30,556	30,400	32,000	33,600
Fee Assessment	78,741	83,700	87,300	91,300
<b>Total Revenue</b>	<b>109,297</b>	<b>114,100</b>	<b>119,300</b>	<b>124,900</b>
<i>YoY change</i>		4.4%	4.6%	4.7%
Direct Costs*	66,464	83,500	85,800	88,300
Common Costs	49,833	42,600	42,500	42,200
<b>Total Costs</b>	<b>116,297</b>	<b>126,100</b>	<b>128,300</b>	<b>130,500</b>
<i>YoY change</i>		8.4%	1.7%	1.7%
Utilization of Cumulative Surplus	7,000	12,000	9,000	5,600

\*The cost allocation methodology for Public Affairs was changed this year from Common Cost Allocation to Direct Cost Allocation, totaling \$7.4 million. As a result, Direct Costs were increased and Common Costs reduced accordingly for FY2024-25.

The previous fiscal year (FY2023-24) budget, approved by the Board, is presented for comparison. As of October 2023, FSRA anticipates an unfavourable variance of \$0.7 million to the FY2023-24 budget. The primary contributory factors are out-of-budget initiatives, which are partially offset by delays in hiring and higher than expected interest earnings. The higher interest earnings are the result of higher interest rates and larger average cash deposits. The new Fee Rule went into effect on December 1, 2023, and it requires changing the operating reserve amount from a fixed \$5.0 million to a maximum of 5% of the Board approved budget cost for the assessment period (or \$6.3 million for FY2024-25). Management will ask the Board to consider increasing the operating reserve to the amount permitted by the Fee Rule.

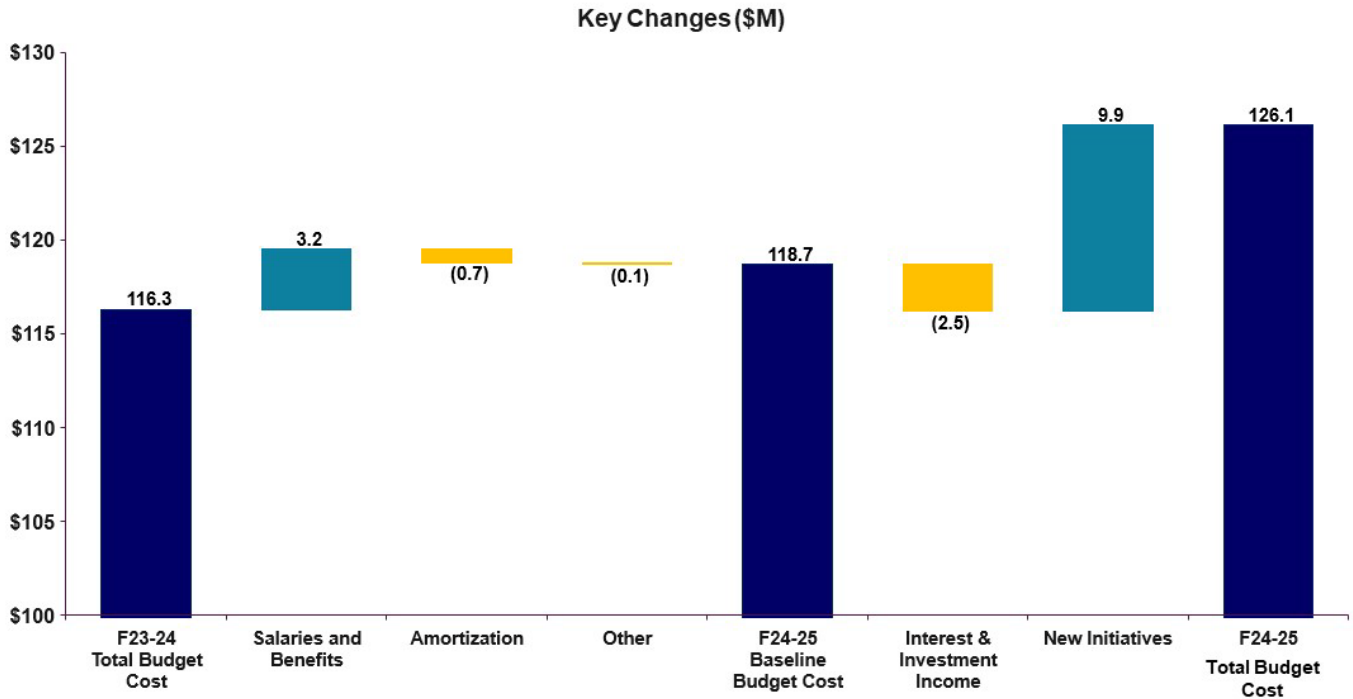
This can be funded from FSRA’s cumulative surplus without affecting the variable sectors fee assessment. As of March 31, 2023, the cumulative surplus was \$36.4 million on a non-GAAP<sup>20</sup> basis. As per the budget in FY2023-24, FSRA intends to use \$7.0 million of the surplus to offset a part of the variable fee revenue. In FY2024-25, FSRA proposes to use additional \$12.0 million of the surplus to offset a part of the variable fee revenue in that fiscal year.

## **FY2024-25 Board approved budget**

The Board approved a budget of \$126.1 million for FY2024-25 to effectively execute its mandate and address its stated priorities. For detailed financial assumptions, refer to Appendix C. The increase in costs primarily stems from new regulatory initiatives totaling \$9.9 million, which are partly counterbalanced by an additional \$2.5 million in interest and investment income generated from the projected operating cash balance. Excluding new initiatives and interest, the baseline costs are expected to increase by approximately \$2.4 million, or 2.1%, year-over-year. The chart below outlines the key factors contributing to the net increase in the budgeted costs, in comparison to the FY2023-24 cost budget.

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<sup>20</sup> In accordance with GAAP guidelines, both Pre-Launch Costs and FSRA*Forward* costs are to be expensed within the fiscal year in which they are incurred. To determine assessment fees, FSRA employs a non-GAAP approach for budgeting purposes. Under this non-GAAP approach, Pre-Launch costs are amortized over an extended period of 20 years, and FSRA*Forward* costs are amortized over a period of 5 years. The non-GAAP approach reflects how FSRA assesses and collects fees from the sectors it regulates and aligns with the principles of fairness, consistency, and transparency. It also ensures assessment fees appropriately and accurately reflect the regulatory efforts and activities required to enhance consumer protection.



Salaries and Benefits are projected to increase by \$3.2 million primarily due to mandatory collective bargaining agreements, an anticipated increase in benefit premiums, higher pension expenses, and adjustments for the impact of the *Protecting a Sustainable Public Sector for Future Generations Act* disputes.

The Board approved budget for overall amortization is set at \$10.4 million for the fiscal year, reflecting a decrease of \$0.7 million or 6.4% compared to the previous year. This reduction in amortization expense is primarily attributed to two factors:

- A delay in the *FSRAForward*<sup>21</sup> project led to a decrease of \$0.4 million in amortization expense in the FY2024-25 Plan, compared with FY2023-24.
- The amortization of significant capital investments carried forward from FSCO and the FY2019-20 has concluded in FY2024-25. This results in a reduction of \$0.3 million.

*FSRAForward* amortization cost aligns with the actual and projected amortization expenses for *FSRAForward* to date. The FY2024-25 in-year *FSRAForward* project investment is \$6.3 million, of which \$5.0 million (on a non-GAAP basis) is deferred and amortized in future years

<sup>21</sup> As per GAAP guidelines, *FSRAForward* costs should be expensed within the fiscal year. However, for our assessment fee calculations, we amortize the incurred costs over a period of five years.

for variable sectors fee assessment purposes to enhance alignment of the benefits of the FSRA Forward costs with the periods where the benefits will accrue. In FY2025-26, the non-GAAP amortization expense for FSRA *Forward* is expected to peak at \$6.6 million and to subsequently decrease in the following years.

The reduction of \$0.1 million in the “Other” category is due to increased recoveries from Pension Benefit Guarantee Fund (“PBGF”) for salaries and benefits reimbursement. The projected operating cash balance (average \$109.0 million) is expected to generate interest and investment income of \$5.3 million. This represents an increase of \$2.5 million or 89.3% compared to the FY2023-24 budget. The net interest income is included as a reduction of common cost in the budget. It will be shown as a revenue item in the FSRA's annual financial statements.

To fulfill its regulatory priorities and objectives, FSRA will be investing \$9.9 million in new initiatives, among which \$6.7 million will be dedicated to human capital resources in FY2024-25. This strategic investment is aimed at enhancing FSRA's sectoral and functional expertise. FSRA is set to increase its investments to bridge regulatory gaps and gear up for upcoming regulatory functions. The focal areas of these investments will include:

- Support Auto Insurance product reform and conduct proactive supervision of operational risks.
- Develop and implement initiatives to reduce fraud and abuse in the Auto Insurance system, including the development of a new Fraud Reporting Service Rule and Guidance.
- Build/or expand the capacity of the Data, Surveillance and Reporting Unit within Credit Union and Insurance Prudential to support data transformation within the Credit Union sector, including the Enhanced Data Collection project.
- Lead the development, calibration, and implementation of risk modelling to enhance the long-term financial sustainability of the Deposit Insurance Reserve Fund (“DIRF”).
- Build capacity and expertise in Credit Union while realigning resources to implement principles-based regulation and risk-based supervision.



- Support the development, implementation, and monitoring of supervisory Guidance to Multi-Employer Pension Plans / Target Benefit Plans.
- Support the development, implementation, and monitoring of a prudential supervision framework for Large Public Sector Pension Plans.
- Launch supervisory review of unsupervised insurance company functions carried out by P&C Managing General Agents (“MGAs”).
- Strengthen the MGA Regulatory Framework, including continuous proactive and risk-informed supervision under FSRA’s Life Agent Supervisory Framework.
- Support Innovation Office to sustain its ability to conduct on-going outreach and maintain an active presence and engage with the ecosystem/relevant external stakeholders to better support awareness and interest in FSRA’s Test and Learn Environment and strengthen FSRA’s brand recognition.
- Expand the capacity of the Enforcement Support Unit within the Litigation and Enforcement function.
- Continue to build and deliver human resources programs and services to support its transformative people strategy in alignment with the business strategy priorities.

The Board approved a FY2024-25 budget with total sector revenues of \$114.1 million, which is 4.4% or \$4.8 million higher than FY2023-24 budget. Within these total sector revenues, the activity and licensing fee component is expected to be relatively unchanged from FY2023-24 budget but the variable sectors fee assessment component is expected to increase by 6.3% from FY2023-24 budget. The excess of expenses budgeted over total sector revenue for FY2024-25 is covered by the release of \$12.0 million of cumulative surplus from prior years operations.

Sector (\$000's)	Insurance					Pensions	Credit Unions	Mortgage Brokers	Loans & Trusts	Financial Planners & Financial Advisors	Total
	Auto Products	Health Service Providers	P&C Conduct	P&C Prudential	Life & Health						
Activity and Licensing Fees		3,500	1,300		7,300			18,200		100	30,400
Fee Assessment	15,900		9,300	3,700	9,300	25,000	19,000		800	700	83,700
<b>FY2024-2025 Revenue</b>	<b>15,900</b>	<b>3,500</b>	<b>10,600</b>	<b>3,700</b>	<b>16,600</b>	<b>25,000</b>	<b>19,000</b>	<b>18,200</b>	<b>800</b>	<b>800</b>	<b>114,100</b>
Direct Cost	11,900	2,300	7,900	2,800	11,800	18,700	14,300	12,600	600	600	83,500
Common Cost	6,100	1,200	4,100	1,400	6,000	9,500	7,200	6,500	300	300	42,600
<b>FY2024-2025 Cost</b>	<b>18,000</b>	<b>3,500</b>	<b>12,000</b>	<b>4,200</b>	<b>17,800</b>	<b>28,200</b>	<b>21,500</b>	<b>19,100</b>	<b>900</b>	<b>900</b>	<b>126,100</b>
Expected Fixed Fee Over/(Under) Contribution to Common Costs	200	-	100	-	100	300	200	(900)	-	-	-
<b>Funding from Cumulative Surplus</b>	<b>2,300</b>	<b>-</b>	<b>1,500</b>	<b>500</b>	<b>1,300</b>	<b>3,500</b>	<b>2,700</b>	<b>-</b>	<b>100</b>	<b>100</b>	<b>12,000</b>
<b>FY2023-2024 Budget Revenue</b>	<b>14,220</b>	<b>3,616</b>	<b>9,500</b>	<b>3,416</b>	<b>15,564</b>	<b>24,857</b>	<b>18,741</b>	<b>17,798</b>	<b>534</b>	<b>1,051</b>	<b>109,297</b>
<b>Revenue Variance</b>	<b>1,680</b>	<b>(116)</b>	<b>1,100</b>	<b>284</b>	<b>1,036</b>	<b>143</b>	<b>259</b>	<b>402</b>	<b>266</b>	<b>(251)</b>	<b>4,803</b>
<b>Increase/(Decrease)</b>	<b>11.8%</b>	<b>-3.2%</b>	<b>11.6%</b>	<b>8.3%</b>	<b>6.7%</b>	<b>0.6%</b>	<b>1.4%</b>	<b>2.3%</b>	<b>49.8%</b>	<b>-23.9%</b>	<b>4.4%</b>
<b>FY2023-2024 Budget Cost</b>	<b>15,356</b>	<b>3,616</b>	<b>10,258</b>	<b>3,690</b>	<b>16,188</b>	<b>26,839</b>	<b>20,282</b>	<b>18,358</b>	<b>576</b>	<b>1,134</b>	<b>116,297</b>
<b>Cost Variance</b>	<b>2,644</b>	<b>(116)</b>	<b>1,742</b>	<b>510</b>	<b>1,612</b>	<b>1,361</b>	<b>1,218</b>	<b>742</b>	<b>324</b>	<b>(234)</b>	<b>9,803</b>
<b>Increase/(Decrease)</b>	<b>17.2%</b>	<b>-3.2%</b>	<b>17.0%</b>	<b>13.8%</b>	<b>10.0%</b>	<b>5.1%</b>	<b>6.0%</b>	<b>4.0%</b>	<b>56.1%</b>	<b>-20.6%</b>	<b>8.4%</b>

## FY2025-26 plan

The FY2025-26 plan expenses are \$2.2 million or 1.7% higher than the FY2024-25 Board approved budget. This increase is primarily attributed to a planned \$3.4 million rise in salaries and benefits, stemming from the expected obligations under collective agreements, and a \$0.3 million planned reduction in interest and investment income. However, this increase is partially mitigated by two factors: a reduction in short-term initiatives amounting to \$1.1 million for FY 2024-25, and a decrease in amortization expenses totaling \$0.4 million.

The amortization decrease includes:

- A decrease of \$0.9 million due to completed amortization of FSCO asset purchases and FSRA capital investments in prior years.
- A reduction of \$0.4 million following completed amortization of the Workday pre-launch phase.
- An offsetting increase of \$0.9 million in amortization expense for *FSRAForward*, which is expected to peak at \$6.6 million in FY2025-26.

\$9.0 million of cumulative surplus is expected to be applied to offset variable sectors fee assessment during FY2025-26.

## FY2026-27 plan

The FY2026-27 plan indicates expenses of \$2.2 million or 1.7% higher than the FY2025-26 plan. This growth is primarily attributed to an expected increase of \$3.2 million in salaries and benefits, stemming from anticipated obligations under collective agreements. It is partially offset by a reduction in amortization expenses, mostly due to the first two years of amortization for *FSRAForward* being completed, amounting to \$1.0 million.

\$5.6 million of cumulative surplus is expected to be applied to offset variable sectors fee assessment during FY2026-27.

## Capital asset investment

The FSRA capital program is aligned with the strategy of being more efficient, which thereby reduces regulatory burden, and improves the effectiveness of regulation. Consistent with FSRA's priorities, significant investments in technology and processes are included through the continued implementation of *FSRAForward*, which is focused on reviewing and updating processes and technology that FSRA inherited, improving data analytics, and enhancing cyber security and IT infrastructure resiliency. The hardware investments are amortized over 5 years.

(\$000's)	FY2023-2024 Budget	FY2024-2025 Budget	F2025-2026 Plan	F2026-2027 Plan
Computer hardware	1,050	1,050	1,050	1,050

## Capital operating investment

FSRA embarked on a significant five-year investment in the core *FSRAForward* system, commencing in FY2020-21. The recovery of this investment from the sectors is planned over a rolling five-year period. Currently, there is a delay in the *FSRAForward* project related to the digitization of our licensing function, resulting in an adjustment of \$1.5 million, a reduction that is being made in the FY2024-25 Board approved budget. This adjustment aligns with the actual and projected amortization expenses for *FSRAForward* to date.

In FY2025-26, the non-GAAP amortization expense for *FSRAForward* for fee rule purposes is expected to peak at \$6.6 million and will subsequently decrease in the following years. The estimate below shows the FY2024-27 investment in the *FSRAForward* project and how it is expected to be recovered from the sectors through the budgeted costs.

(\$000's)	FY2023-2024 Budget	FY2024-2025 Budget	F2025-26 Plan	F2026-27 Plan
<b>FSRA Forward Investments</b>	12,342	6,275		
<b>Amortization</b>				
From F2020-21	640	(462)	-	-
From F2021-22	1,084	744	1,084	-
From F2022-23	1,851	1,598	1,755	1,755
From F2023-24	2,468	2,468	2,468	2,468
From F2024-25	-	1,255	1,255	1,255
<b>Total Amortization</b>	<b>6,043</b>	<b>5,604</b>	<b>6,562</b>	<b>5,478</b>

## Cash flow and borrowings

The following chart illustrates FSRA's cash flow and expected borrowings through FY2025-27. The chart reflects the funding provided through the Ministry of Finance / Ontario Financing Authority for the start-up and other identified requirements, including capital funding.

(\$000's)	FY2024-2025 Budget	FY2025-2026 Plan	FY2026-2027 Plan
Cash inflow from operations	\$ (319)	\$ 2,272	\$ 4,680
Operating investments	(6,275)	-	-
Capital investments	(1,130)	(1,050)	(1,050)
	<u>(7,405)</u>	<u>(1,050)</u>	<u>(1,050)</u>
Net increase / (decrease) in borrowing	(3,678)	(3,678)	(3,678)
<b>Net decrease in cash flows</b>	<b><u>(11,402)</u></b>	<b><u>(2,456)</u></b>	<b><u>(48)</u></b>
Cash balance - beginning of year	86,447	75,046	72,590
<b>Cash balance - end of year</b>	<b><u>\$ 75,045</u></b>	<b><u>\$ 72,590</u></b>	<b><u>\$ 72,542</u></b>

The ending cash balances above reflect the collection of fees in advance of the start of the next fiscal year (in some instances fees for a fiscal year are collected in February / March before the fiscal year begins).

The loans and start-up funding are expected to be repaid over 17 to 20 years with all loans maturing in approximately 20 years from June 2019 at interest rates between 2.7% and 3.8%. The following table summarizes borrowings. FSRA does not currently 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
FY2021-2022 Draw	3,000	Amortized over 17 years
FY2022-2023 Draw	-	
Total	<u>\$ 54,353</u>	

## Investing in people and talent

### Staffing information

FSRA is committed to building a consistently positive employee experience and fostering a principle-based, inclusive, and strong culture where FSRA values are shared and positively influence how employees interact with each other, make decisions, and approach their work. In addition, FSRA also values and actively promotes wellness, development, and recognition to support its workforce. The planned increase in FY2024-25 of 42 FTEs is primarily due to the budgeted new initiatives listed above.

Fiscal	FY2023-24	FY2024-25	FY2025-26	FY2026-27
Planned FTEs	622	664	664	664

Human Resources activities are foundational to FSRA’s Strategic Pillar to attract talent and evolve its culture to achieve the mission and vision of the organization. Comprehensive human resources policies, approaches and supports will continue organizational development. This will help FSRA to attract and retain talent as well as to engage and energize staff to ensure alignment with the organization’s vision and values.

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

## **Key initiatives include:**

### **Cultural advancement**

- Create programs to promote change and innovation, improve processes and identify the skills gaps to meet organizational needs.
- Support skills that pertain to change transformation and change management across the organization.
- Implement programs that are focused on staff learning and development, career growth and mentorship.
- Promote a culture where staff are actively empowered to lead, be held accountable, and are recognized for outcomes.

### **Invest in talent**

- Elevate the recruitment process and seek out new avenues to increase the organization's presence in the marketplace to promote FSRA as an employer of choice.
- Organize and support FSRA's talent to effectively deliver on its strategic priorities and regulatory operational requirements.

### **Build strong foundation**

- Enhance and promote the Corporate Wellness Framework.

### **Environmental factors, demographic trends, and workforce characteristics:**

- Despite slight increases, Statistics Canada reports that unemployment levels remain below their pre-COVID-19 pandemic average. Unemployment levels coupled with market factors have created some challenges around talent acquisition and retention.

- An increase in scheduled retirements has the possibility of creating a skills/workforce gap.
- In accordance with the Ontario Public Service (OPS) directives and policy, as appropriate, the organization has instituted a mandatory three day a week in-office policy.

## Compensation strategy and summary of staffing numbers

Following a thorough review and update of its compensation policy for non-union and management staff in the beginning of FY2023-24, FSRA completed a full job evaluation (“JE”) of those roles in Q4 to ensure that they are placed appropriately within the internal compensation structure. In FY2024-25, FSRA will continue to participate in market review and maintaining the JE to sustain:

- fiscal responsibility, governance, accountability, and compliance with all applicable legislation
- alignment with organizational mandate, strategic directions, and value
- support for a pay-for-performance culture
- value of a total compensation approach
- adoption of good governance practices for compensation management and process
- a balance between consistency and flexibility in compensation program design and application
- external competitiveness and internal equity

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.



When the Executive Compensation Framework was established, FSRA's positions were benchmarked against the same or similar positions in other broader public sector organizations, and executive compensation was completed and established prior to the launch of FSRA.

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

FSRA is engaged in bargaining with both bargaining unions in FY2024-25 and aims to have consensus over the majority of all non-monetary items being discussed by Q2 2024-25.

In addition to its compensation programs, FSRA provides a traditional suite of benefits to its full-time employees and to casual (part-time) employees that meet specific thresholds. These benefits are 100% 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.

As of September 30, 2023, FSRA has an actual headcount of 634 positions (Table 2). FSRA has 557 active permanent and fixed-term contract (full-time and part-time) staff, which includes management, non-union and bargaining-represented employees (the latter accounts for approximately 70% percent of the workforce).

**Table 3: Active FSRA Staff by Employee Type as at September 30, 2023**

Employee type	# of employees
Fixed term full time	50
Fixed term part time	15
Regular full time	547
Regular part time	2
Student/Co-op	20
<b>Total</b>	<b>634</b>

**Table 4: Active FSRA staff by division**

Division	FY2023-2024 Headcount
Auto/Insurance Products	31
Credit Union and Insurance Prudential	59
Market Conduct	143
Pensions	85
Legal and Enforcement	56
Policy	75
Public Affairs	40
Finance	34
Human Resources	33
Information Technology	54
Risk Management	9
Office of the CEO	10
Corporate Services	5
<b>Grand Total</b>	<b>634</b>

# Initiatives involving third parties

FSRA cooperates and collaborates with third parties, including other regulators, to deliver on its mandate. For example, FSRA has worked with the Ontario Securities Commission (“OSC”) on issues affecting Ontario financial services consumers such as syndicated mortgage investments, emerging decumulation products and trust corporations holding consumer’s crypto assets. FSRA will continue to work with OSC and other regulatory partners in the future.

In addition to directly engaging with regulatory partners, FSRA is a participating member of the following forums:

- 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”)
- General Insurance Statistical Agency (“GISA”)
- Global Financial Innovation Network (“GFIN”)
- Joint Forum of Financial Market Regulators
- Mortgage Broker Regulators’ Council of Canada (“MBRCC”)
- International Financial Consumer Protection Organisation (“FinCoNet”)

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

- support industry strength and stability across participating jurisdictions
- enhance regulatory cooperation and reduce redundancies
- develop rules that are integrated and more effective in achieving consumer protection public policy outcomes
- 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 the protection of consumers of financial products and services, and effectively implement financial consumer protection frameworks, by promoting robust and effective supervisory standards

FSRA's National Regulatory Coordination Branch also supports these outcomes by: providing secretariat services to CAPSA, CCIR, CISRO, GISA and MBRCC, and by working collaboratively with the secretariat of the Canadian Securities Administrators on the activities of the Joint Forum of Financial Market Regulators.

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**

The CCIR ASMC collects information from insurers across Canada related to their governance, practices, policies, and treatment of customers. The requirement to complete and file the ASMC is based on the authority of each provincial and territorial insurance regulator within their jurisdiction. The information collected has facilitated a better understanding of the market for regulators. It has also assisted in proactively identifying potential risks to ensure insurance customers are being treated fairly.

## **CCIR/CISRO Canadian Insurance Regulators Disciplinary Actions (“CIRDA”) Database**

The CIRDA is a searchable database of published insurance disciplinary decisions in Canada. A public website enables consumers and regulators to search individuals and firms that have been subject to enforcement action by insurance regulators in Canada, including FSRA.

## **MBRCC Disciplinary Actions Database**

MBRCC Disciplinary Actions Database is a searchable database of published mortgage broker disciplinary decisions in Canada. A public website enables consumers and regulators to search individuals and firms that have been subject to enforcement action by mortgage broker regulators in Canada, including FSRA.

## **FSRA/Canada Revenue Agency (“CRA”) Pension Plan Joint Filing Agreement**

This agreement between FSRA and the CRA reduces regulatory burden to pension plan administrators by supporting a single annual pension plan filing. The filing meets the information needs of both agencies. The information is captured in the Annual Information Return, most notably in Schedule A.

# **Communications 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 FSRA’s first four years, internal channels will continue to create deeper connections within teams and across the organization. The Internal Communication function has focused on transitioning the workforce to a new work model and office environment following the operational disruption of the COVID-19 pandemic.

## External communications

FSRA is a regulator that follows a principles-based and outcomes-focused approach to regulation. FSRA's rulemaking, supervision and enforcement is developed and executed with consumer protection as top of mind. It is a serious responsibility, and we are working dynamically with consumers, regulated entities, government, and other regulators to ensure Ontarians receive financial products and services that meet their needs.

Since being launched in 2019, FSRA made tremendous progress and communicating those accomplishments is a priority, and its communication objectives include:

- **Build brand and reputation** – Continue to build on the credibility and reputation FSRA has developed to create broader awareness of the work FSRA does to fulfill its objects and to deliver on its brand attributes to effectively protect and retain the trust of consumers.
- **Build greater understanding and support** – Continue to engage and educate the sectors FSRA regulates, so the sectors understand and embrace FSRA's principles-based regulatory approach.
- **Broaden awareness with the general public** – Continue to expand FSRA's reach to consumers and educate them on the work FSRA is doing, help consumers understand how they can safely access financial products and services, and how it impacts their lives.
- **Media relations** – Continue to expand media coverage, especially in the regional and multi-cultural media, and broaden FSRA's reach by better utilizing social media and multi-media.

## Stakeholder and Technical Advisory Committees<sup>22</sup>

Stakeholder engagement is the cornerstone of FSRA's approach to regulation. As a regulator, staying ahead of change in consumer markets is essential to FSRA's operations. By engaging with industry experts and consumers on a regular basis, FSRA can respond

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<sup>22</sup> Please refer to Appendix B: FSRA Stakeholder Engagement Committees  
FSRA 2024-27 Annual Business Plan

quickly to new technologies, rules, and consumer trends, ensuring integrity and growth of its regulated industries.

Stakeholder Advisory Committees (SAC) serve as the primary consultation bodies for management, staff and FSRA's Board. FSRA launched the SACs in 2019 and they have been invaluable in offering constructive dialogue and feedback. There are SACs for the following sectors:<sup>23</sup>

1. Property and Casualty (P&C) Insurance
2. Life and Health Insurance
3. Mortgage Brokering
4. Pensions
5. Health Service Providers
6. Credit Union
7. Financial Advisors/Financial Planners

FSRA's Technical Advisory Committees provide advice, input, and feedback to FSRA Management and staff on matters related to the rules of practice and procedure, filing requirements, guidelines, operational policies, and other matters. There are Technical Advisory Committees for the following sectors:

1. P&C and Auto Insurance
2. Credit Unions and Caisses Populaires
3. Life and Health Insurance
4. Mortgage Brokering
5. Pensions

FSRA also engages stakeholders through technical briefings or webinars for select Guidance and Rules. These events provide information on program rationale, key principles and expected outcomes, while giving stakeholders an opportunity to have a direct dialogue with FSRA staff.

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<sup>23</sup> In early FY2024-25, FSRA will review each SAC's current structure and composition. As a result, these SACs may evolve ahead of the next term.

## **Consumer engagement**

FSRA established a Consumer Office to work collaboratively across the organization to engage consumers, members, and beneficiaries of the regulated sectors, set strategy and undertake consumer research.

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 is planning to undertake several studies and focus groups this coming year to support the development of Guidance and other policy work. These tools and working relationships are key to FSRA's efforts to establish itself as a consumer-centered and outcomes-focused regulator.

The Consumer Office also provides secretariat support to FSRA's Consumer Advisory Panel (CAP), a body of independent persons knowledgeable about consumer (including pension and credit union member) issues. The CAP serves as an advisory body to FSRA, offering ongoing advice from a consumer perspective. Working closely with the Consumer Office and executive team, the Panel advises on proposed policy changes and related activities and helps to ensure that the perspectives of consumers (including pension beneficiaries, credit union members, and the public) inform FSRA's direction and decisions.

More information about the CAP, including annual reports (detailing activities in prior years and a complete list of its current members), is available on FSRA's website:

<https://www.fsrao.ca/consumer-advisory-panel>.

## **Consumer education framework**

FSRA's consumer education framework is developed every year following a review of FSRA's strategic priorities, a consideration of available research and by identifying specific areas to build FSRA's brand attributes [i.e., protecting consumers, being trusted and efficient].

FY2024-25 will include our third annual Pension Awareness Day to help create further awareness of the value of a pension and the importance of starting a retirement savings plan.

FSRA plans to conduct consumer education campaigns to raise awareness about important topics for consumers. The consumer education campaigns use a combination of tactics such



as: paid advertising, media stories in mainstream, trade, regional and multi-cultural media, stakeholder involvement, events, leveraging special occasions (such financial literacy month), and social media posts. These tactics are supported by quantitative and qualitative research, which help identify strong news hooks and messages that resonate broadly throughout the province. One campaign will educate people about the differences between a traditional mortgage and a private mortgage. Another campaign is designed to inform people about auto insurance and the importance of shopping around for the best rate, knowing your policy and taking steps to prevent auto theft.

## **FSRA Exchange**

FSRA Exchange is the annual flagship event designed to educate and engage FSRA Stakeholders about new initiatives and the direction FSRA is taking. Due to increasing demand from stakeholders and consumers, FSRA Exchange continues to expand each year. Public Affairs will continue looking at ways to grow this event to build greater awareness of FSRA and its brand attributes.

## **Plain language**

Readability is a key indicator of effective communication. 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, have short and strong headlines, and drive two or three messages.

FSRA actively promotes Guidance and rules by issuing news releases, backgrounders, eblasts, web updates, and social media posts that are written in plain language. To ensure full transparency and accountability FSRA is also issuing provincial news releases for all its enforcement actions and posting these on a database located on its website.

## **FSRA website**

FSRA continues to evolve the website to ensure consumers and industry users can easily find, understand, and apply the information they need. We continue to focus on building the consumer web experience by clearly explaining how FSRA protects consumers and improves its complaints form. This includes consumer landing pages by sector, with easy navigation, plain language, and interactive content and visuals to aid user understanding and

engagement. FSRA has also added a “Google Translate” feature allowing people to translate most of the web content into multiple languages. FSRA has also created a new searchable Enforcement and Warning database as a part of its focus on transparency to better protect consumers. In addition, FSRA’s other databases for Guidance and Forms provide fast and easy access to information.

## **Stakeholder survey**

FSRA conducts a stakeholder survey every two years to measure and benchmark our progress. The next survey will be conducted in 2025.

FSRA conducts a combination of in-depth interviews with SAC members and CAP members along with an online survey of industry stakeholders and consumers, and reviews these survey results to develop action plans that focus on areas requiring improvement.

In the 2023 survey, stakeholders and consumers were asked to give feedback on their experiences, satisfaction, and expectations of FSRA. The results were generally positive, and survey and stakeholder insights and recommendations will begin to be implemented into FSRA processes in FY2024-25.

Key insights on where FSRA could focus its efforts:

- reducing the regulatory burden (46% favourable)
- encouraging innovation (51% favourable)
- responding to market changes quickly (53% favourable)
- fostering a sustainable, competitive financial services sector (55% favourable)

As a result of FSRA’s review of key recommendations:

- relaunch our SAC with revised terms of reference and a call for members
- increase the number of webinars with the release of FSRA Guidance and rules

FSRA is continuing to look at creative and innovative ways to communicate and connect with stakeholders virtually, due to survey results indicating stakeholders' communication preferences.

## Information Technology

### Significant IT / electronic service delivery plans

One of FSRA's strategic priorities is to modernize systems and processes to enable FSRA to operate as a high-performing regulator by developing and enabling processes that promote evidence-based and risk-based decisions.

### Priorities

FSRA's multi-year roadmap for technology and information systems includes several key initiatives and an overarching transformation program (*FSRAForward*) to create a flexible and adaptable business-operating model supported by streamlined workflows and operational processes and systems.

FSRA's modernization priorities under the *FSRAForward* program include improved regulatory oversight through greater access to data and analytics tools across all sectors, improved relationships with stakeholders through enhanced relationships and case management capabilities, enhanced tracking, and operational processing capabilities. It also includes improved and, where possible, customized user experience with the FSRA online portal, better turnaround time for licensing, filing, and registration processes, and enhanced access to information for consumers and other stakeholders.

## **Initiatives to address priorities**

To address these priorities, *FSRAForward* includes several key initiatives, including improved licensing and registration processes and systems, advanced information sharing capabilities through FSRA portals, digital document processing and digital signature capabilities, enabling data analytics and the implementation of technological solutions to simplify and fully digitize operations across all sectors.

FSRA has developed and is advancing its cybersecurity program that is aligned with leading the cybersecurity practice and framework, National Institute of Standards, and Technology's Cybersecurity Framework. The cybersecurity program is integrated with IT operations and initiatives to ensure that cybersecurity risks with potential to impact FSRA are detected, assessed, prioritized, and addressed in a timely manner. FSRA leverages independent third parties to perform security assessments to inform its cybersecurity roadmap and to prioritize investments to minimize FSRA's cybersecurity risks.

## Appendix A: Service standards

Sector	Service	Standard	Target %	Stretch Target %
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
Credit Union & Prudential Insurance	Regulatory Approvals (Certificates)	Requests for certificates processed within 3 days of receipt of all required information.	90%	100%
	Regulatory Approvals	All Credit Union regulatory applications processed within 30 days after all required information received.	90%	100%

Regulatory Approvals (Complex)	All complex Credit Union regulatory applications processed within 60 days after all required information received.	90%	100%
Member/ public inquiries	Telephone and email inquiries responded to or acknowledged within 1 business day.	90%	100%
Regulatory Approvals (Prudential Insurance) <sup>24</sup>	All insurance prudential regulatory applications processed within 45 days after all required information received.	90%	100%
Member/ public inquiries	Telephone and email inquiries responded to or acknowledged within 1 business day.	90%	100%
Supervisory Assessments <sup>25</sup>	Supervisory letter (interim supervisory letter) issued to the Credit Union within 60 business days after completed assessment.	65%	100%

<sup>24</sup> Only those Prudential Insurance applications processed by the Credit Union & Prudential Insurance Approvals team.

<sup>25</sup> The Supervisory Assessments service standard was previously referred to as Examination Reports. It no longer applies due to the implementation of FSRA's Risk Based Supervisory Framework (RBSF) for Credit Unions.

<b>FSRA Complaints Acknowledg- ement (All Sectors)</b>	Complaints- Sector	FSRA will acknowledge complaints in writing within 3 business days of receipt provided that the reply information is available.	90%	100%
	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, issue warning letters, and closed with no action.	80%	85%
<b>FSRA Complaints (All Sectors)</b>	Complaints- Sector	Within 270 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, issue warning letters, and closed with no action.	95%	98%
	Inquiries	Inquiries (plan specific, non-plan specific and general) will be responded to within 45 business days.	90%	100%
<b>Pensions</b>	Application	Defined Benefit Plan wind-up applications will be reviewed, and a decision will be made within 120 business days.	80%	100%

	Application	Defined Contribution plan wind-up applications will be reviewed, and a decision will be made within 90 business days.	90%	100%
	Application	Defined Benefit Asset Transfers applications will be reviewed, and a decision made within 120 business days.	80%	100%
	Application	Defined Contribution asset transfers applications will be reviewed, and a decision made within 90 business days.	90%	100%
<b>Public Affairs</b>	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 1 business day.	90%	98%
	Email Inquiries	Emails received through the Contact Centre will be acknowledged within 1 business day and a response sent within 3 business days. For complex matters, FSRA may request additional information, which may result in a longer response time for a formal response.	90%	98%
	Web Content Requests	FSRA will respond within 5 business days to a requestor of web content in accessible format. Following discussions with the requestor, FSRA will provide agreed-upon web content	90%	98%



		(excluding online applications), in an accessible format within 5 business days.		
	Print Content Requests	FSRA will respond within 5 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 5 business days.	90%	98%
	Web Inquiries	All inquiries directed to the Web Manager e-mail account will be concluded and/or responded to within 5 business days.	95%	100%

## Appendix B: 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)	N/A	Technical Advisory Committee for Transforming Auto Insurance Rate Regulation	Consumer Advisory Panel
	Insurance		Technical Advisory Committee for Auto Insurance Data and Analytics Strategy	
	Health Service Providers		Technical Advisory Committee for Insurance Prudential Regulation and Supervision	
			Technical Advisory Committee for Auto Insurance Products	
			Technical Advisory Committee for Auto Rates and Underwriting Regulation Reform	

<b>Credit Unions</b>	Credit Unions	N/A	Technical Advisory Committee for Credit Union Data Strategy and Digital Transformation	Consumer Advisory Panel
			Technical Advisory Committee for Credit Union Regulatory and Supervisory Initiatives	
			Technical Advisory Committee for Deposit Insurance Reserve Fund (DIRF)	
<b>Life and Health Insurance</b>	Life and Health Insurance	N/A	Technical Advisory Committee on Insurer Oversight of Managing General Agencies	Consumer Advisory Panel
			Technical Advisory Committee on Segregated Funds	
			Technical Advisory Committee for insurance Prudential Regulation	
<b>Mortgage Brokering</b>	Mortgage Brokering	N/A	Technical Advisory Committee for Mortgage Brokering	Consumer Advisory Panel

<b>Pensions</b>	Pensions	Defined Benefit Single Employer Plans Advisory Committee	Technical Advisory Committee for Identifying and Strengthening the Supervision of Actively Monitored Plans	Consumer Advisory Panel
		Defined Contribution Plans Advisory Committee	Technical Advisory Committee for Missing Members in the Pension Sector	
		Multi-Employer Pension Plans Advisory Committee	Technical Advisory Committee for Asset Transfers	
		Public Sector Pension Plans Advisory Committee	Technical Advisory Committee for Family Law Pension Matters	
			Technical Advisory Committee to Identify Ways to Foster a Vibrant Employment-Based Pension Pillar in Ontario	
<b>Financial Planners and Financial Advisors</b>	Financial Planners and Financial Advisors	N/A	N/A	Consumer Advisory Panel

## Appendix C: Financial assumptions

- Comparable figures are based on the April 1, 2023 – March 31, 2024, budget approved by the FSRA Board, and used to assess FY2023-24 variable sectors fee assessments.
- FSRA implemented a new Fee Rule as of December 1, 2023 (Rule 2022 – 001 Assessments and Fees). The Board approved budget is based on the new Fee Rule.
- To better align costs and benefits for Fee Rule purposes, technology operating investments made during the fiscal year are recovered over five years from the sectors rather than expensed in the year incurred as required under Generally Accepted Accounting Principles (“GAAP”).
- Public Affairs cost allocation is transitioning from using a common rate methodology to direct cost allocation in FY2024-25.
- 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 allocation. The final year of the transition is FY2024-25.
- FSRA regulates Health Service Providers as part of its Auto Insurance regulation activities. Any revenue under-recovery / overage from Health Service Providers is charged or credited to the variable sectors fee assessment for Auto Insurance Products.
- Life Conduct for Life and Health agents is a fixed fee sub-sector. Any cost overage / underage is charged or credited to life insurers as a variable sub-sector.
- FSRA recovers expenses for its review of Co-op offering statements.