



8 March 2024

Mr. Stuart Wilkinson  
Chief Consumer Officer  
Financial Services Regulatory Authority of Ontario (FSRA)  
25 Sheppard Avenue West, Suite 100  
Toronto, ON, M2N 6S6

Via: <https://www.fsrao.ca/engagement-and-consultations/consultation-fsras-proposed-approach-strengthening-protection-vulnerable-consumers>

Dear Mr. Wilkinson,

**Re: 24-02      FSRA Consultation Paper:  
                    FSRA's Proposed Approach to Strengthening Protection of Vulnerable Consumers**

## **Introduction**

The Canadian Association of Direct Relationship Insurers (CADRI) is the voice of insurance enterprises that offer automobile, home, and commercial insurance directly to Canadians. We advocate for flexible and evolving regulatory and legislative frameworks governing automobile, property, and commercial insurance to enable product and service innovation so that Canadians can easily choose insurance that serves their needs through the delivery channels of their choice.

CADRI's members include Allstate, Aviva, belairdirect, Co-operators, Desjardins Insurance, RBC Insurance, Sonnet Insurance, and TD Insurance.

CADRI appreciates the opportunity to review and comment on *FSRA Consultation Paper: FSRA's Approach to Strengthening Protection of Vulnerable Consumers* (FSRA's Approach).

## **The issue**

Having embraced first the Canadian Council of Insurance Regulators' (CCIR's) Fair Treatment of Customers Guidance, and subsequently FSRA's adoption of it, CADRI's members have implemented policies to ensure that all customers are treated fairly.

Although FSRA's Approach covers all its regulated sectors, CADRI submits that FSRA should recognize that the risks facing property and casualty (P&C) customers are different than those facing life and health customers, mortgage broker clients or deposit-taking credit union members. Auto and home insurance products are similar from company to company. They are also easier to understand than more complex financial instruments with multi-year commitments. Moreover, one could argue that the risk of harm is more limited when considering P&C. This insurance is a risk mitigation tool, the risks associated with vulnerable consumers might be not getting the right coverage or needing to pay over a period. There are no assets or funds that someone with malicious intent may seek to access. This distinguishes P&C from other financial sector products.

Our members serve customers who self-identify as needing additional support with various means of facilitating improved understanding of policies and payment plans – depending on their needs. Our members' front-line employees in customer service and claims are screened before they are hired and complete up to three months of initial, formal facilitated training to make sure they have the skills to offer this assistance. While on the job, they must demonstrate self-sufficiency while receiving ongoing coaching and skills upgrading.

### **FSRA's response & Section A – Proposed approach**

Given the evolving needs and expectations of consumers, we support FSRA's study on the possible need to improve the assistance given to customers needing additional support.

In the context of principle-based regulation, FSRA should promote optimal customer outcomes, but avoid being too prescriptive about how to achieve those results. Insurers know their customers and are therefore best positioned to identify and implement policies and procedures for meeting and surpassing FSRA's expectations with regard to customers' needs.

Generally, we support FSRA's efforts to close the gap between the experiences of people needing additional support and others outlined in Section A, including:

- Dialogue with stakeholders and regulated entities,
- Strengthened outreach and engagement,
- Research to strengthen supervision and policy making, and
- Improved consumer education efforts.

However, CADRI recommends against creating a stand-alone Technical Advisory Committee (TAC) on people needing more support. Risks for people needing additional support are different within each of the industries that FSRA regulates. The creation of such a TAC could isolate these risks from ongoing integration with policy development within FSRA or discussion by industry-specific Stakeholder Advisory Groups.

We support FSRA's dedication to increasing Ontarians' financial literacy. We also support the wide availability of its research and findings. This will help CADRI members and other insurers to compare the cross-sectoral results to their own experience and improve the programs they voluntarily provide to customers needing additional support.

We encourage FSRA to consider ways to help insurers meet the needs of customers who need more support.

### **Section B – the definition**

*A vulnerable consumer is someone who is at higher risk of experiencing financial mistreatment, hardship, or harm, due to various factors and personal circumstances.*

CADRI recognizes that a principle-based approach must be broad enough to allow individual licensed companies to interpret it in the best interests of their customers. Some say that the definition above is so broad that all of Ontario's 10 million drivers would have found themselves captured by the definition at least once in their lives.

CADRI member Aviva Canada makes a compelling case for adopting the UK Financial Conduct Authority's (FCA's) definition and amending it to include the concept of additional support. In the absence of that alignment, we would prefer to see the term 'vulnerable consumers' rebranded and redefined as customers needing additional support.

It's important to note that insurers are prohibited from collecting information around vulnerabilities, e.g., income, health, education, etc. It should be generally up to the customer to signal the need for additional support.

For privacy and security reasons, insurers should not be required to ask their customers to disclose any additional personal information related to potential need for more support, nor should insurers be required to collect, store, and disclose this kind of information.

We also would like to point out that needing additional support, or experiencing specific vulnerabilities, is not solely a financial matter. Auto insurance costs more in Ontario than almost anywhere else in Canada, but insurers have little control over the design of the product offered in the province.

CADRI and its members have been working with the Ministry of Finance to find ways to make the system more flexible, less costly and bring the price down for consumers. An insurer should be expected to work with an individual whose self-identified circumstances align with the definition of needing more support and potentially make accommodations with the existing product and coverages. Rating structure changes should only be contemplated within the Fair Treatment of Customers work which focuses on actuarial and social fairness.

### **Section C – Input**

#### **1. To what extent does this topic require more attention from FSRA?**

Treating customers fairly and improving the assistance given to those that need it are important issues that should be addressed by FSRA. FSRA already has in place comprehensive guidance for the Fair Treatment of Customers. Regulators in other jurisdictions who have acted on this issue have primarily done so in the context of treating customers fairly.

We recommend that FSRA's work on behalf of people needing additional support should be anchored in the Fair Treatment of Customers, and not be made into a separate work stream. The work plan proposed is very broad, and we recommend refining its scope to enhance its impact.

Any additional assistance should be restricted to measures that can be accessed voluntarily by customers. For privacy and security reasons, people should not be asked to disclose any more information nor should insurers be required to collect, store, or disclose this information, e.g. to intermediaries.

Where FSRA and its regulated entities, including CADRI's members, can assist people who need additional support by enhancing financial literacy. Providing understandable and useful guidance when consumers need it is key.

For their part, our members will continue to work to ensure that customers who need additional support are aware that they should self-identify to the trained insurance agents and claims adjusters working for them.

**2. In addition, to the activities proposed in the chart under section A, are there additional activities, such as outlining a set of expectations or defining specific requirements for entities across all of its regulated sectors, that FSRA should consider for its approach to strengthening the protection of vulnerable customers?**

One of the most purchased financial service products is auto insurance. Auto insurance communications related to its purchase, and navigation through the claims process, are already highly prescribed by government. We encourage FSRA to support further government reforms which eliminate existing pain points in the system. In the meantime, FSRA should consider ways to help insurers meet the needs of customers who require more support such as plain language wordings.

We caution against any additional activities that would lead to prescribing expectations that already exist in law, regulation, and regulatory guidance.

We support FSRA devoting itself to increasing Ontarians' financial literacy and its overarching objective to protect people who need additional support.

CADRI recommends against creating a stand-alone Technical Advisory Committee on people needing additional support. The creation of such a TAC would bring people together from sectors with varying degrees of risk and isolate the discussions from ongoing integration with policy development within FSRA or discussion by Stakeholder Advisory Groups.

**3. Do you have any comments on FSRA's proposed approach to defining vulnerable consumers in Section B? Do you think it is useful to have a definition of vulnerable consumers? Are there any other factors that FSRA should consider in better understanding vulnerability in its sectors?**

We have commented above on Section B and the definition and noted Aviva Canada's compelling case to align more with UK's FCA.

In supporting a principle-based regulation, we appreciate that the definition should be able to be interpreted by licensees, rather than prescribing implementation. At the same time, as proposed, it is very broad and FSRA might be advised to review it in that context. For instance, as previously cited, the risk to those needing additional support is different and, perhaps lower, in P&C insurance than in other financial sectors.

We would prefer to see the term ‘vulnerable consumers’ be re-branded and redefined as customers needing additional support.

CADRI members support customers self-identifying so that their professionally trained agents and claims adjusters can serve their needs within the programs they offer. We do not support an expansion of the data collected, stored, or shared.

**4. *If you are a consumer advocate... vulnerable consumers?***

Not applicable.

**5. *If you are from one of FSRA’s regulated sectors, what should FSRA know about how you, your firm, or your industry services marginalized, underserved and/or vulnerable customers? For example, do you have any targeted programs or communications tactics or controls in place to reduce risk of unfair outcomes for these groups?***

This question fails to recognize overlaps between individual customers requiring additional support and general communities of individuals with common characteristics. We recommend that FSRA follow the approach of regulators such as the UK’s FCA and Quebec’s Autorité des marchés financiers and focus on vulnerable individuals or, as we would prefer, consumers needing additional support.

Our members have many different approaches to providing additional support to customers. These include, but are not limited to, offering:

- Payment plans or individualized arrangements when a customer informs them that they are experiencing financial difficulties
- Accessible documents
- Translators for customers who speak a language other than English or French
- Online materials explaining how to designate a trusted contact person
- Educational resources to better understand the choice of products
- Information on senior abuse

**6. *What additional information (such as leading practices, tools, opportunities or risks) should FSRA be considering to inform its approach?***

Findings from the UK show that customers do not want to be labelled “vulnerable”. By re-branding the term and defining it as an individual that needs additional support, employees have a clear idea of what is expected of them in working with the customer. We recommend that FSRA frame this guidance accordingly.

CADRI submits that FSRA should have a next-stage consultation to set out its approach to measuring compliance with any new guidance. For auto insurance, this process is important because a compliance review could shape whether an insurer will be able to access streamlined rate filing processes under the operational risk management (ORM) approach to auto rate and underwriting regulation.

**Conclusion**

CADRI appreciates the opportunity to review FSRA's Approach. We expect that the feedback FSRA receives from CADRI and other stakeholders will refine the guideline it eventually publishes.

We recommend that FSRA takes another look at the definition, which is exceptionally broad. We submit that customers that need additional support should be encouraged to seek out information and assistance from insurance companies by self-identifying. Our members do not support increasing the collection, storage or sharing of data.

In the current environment, laws, rules, and regulations governing the auto insurance product and its claims processes are already quite prescriptive. We look forward to continuing to work with FSRA and the Ministry of Finance to increase flexibility and bring costs down for consumers.

We welcome your questions and ongoing discussion on these and related issues.

Yours sincerely,



Geoffrey Beechey  
Chair and CEO

cc:

CADRI Board of Directors  
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