

December 6, 2024

Mr. Stephen Power, Interim CEO
Financial Services Regulatory Authority of Ontario
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Copy to:

Glen Padassery, Executive Vice President, Policy and Auto/Insurance Products, Public Affairs
Huston Loke, Executive Vice President, Market Conduct
Erica Hiemstra, Head, Insurance Conduct
Swati Agrawal, Director, Market Conduct

RE: CAFII Feedback on FSRA's Proposed FY2025-2026 Statement of Priorities

Dear Mr. Power:

The Canadian Association of Financial Institutions in Insurance (CAFII) thanks the Financial Services Regulatory Authority of Ontario (FSRA) for the opportunity to provide comments on FSRA's *Proposed FY2025-2026 Statement of Priorities*.

In this submission, we have restricted our comments to those sections of FSRA's *Proposed FY2025-2026 Statement of Priorities* that are germane to CAFII members, i.e., to the Environmental Scan, to the FSRA-Wide Strategic Priorities, and to the Life and Health Insurance Sector-specific Priorities.

We are aligned with the broad strokes of your environmental scan. Ontarians are preoccupied with the economy, the cost of living, and housing costs. A June 4, 2024 presentation to CAFII by Lesli Martin, Senior Vice President, Pollara Strategic Insights, revealed that Canadians have a more negative view of economic performance than what the data suggests, with 73% feeling that the economy was in recession when in fact it was not. Ms. Martin noted that perception is reality and that Canadians' negative attitudes affected their spending, savings habits, and their views of the Canadian economy.¹ Of particular relevance to the industry is that insurance is often viewed as a supplemental expense. With household finances stretched, an already underinsured and uninsured Canadian marketplace could see lower levels of insurance coverage if Ontarians feel that they cannot afford the costs of optional insurance.

¹ A summary of the presentation can be found here: <https://www.cafii.com/cafiis-june-4-2024-reception-event-and-lesli-martins-presentation/>

We also agree with your observations about the increasingly rapid pace of technological change including artificial intelligence, which is an area that we are monitoring closely. A presentation was made to CAFII by Melissa Carruthers and Azadeh Dehghanpour, partners at Deloitte, on these issues and they were of the view that there are many opportunities for these technologies to be used in positive ways to improve the customer experience in insurance including in customer service and claims settlement.²

CAFII supports your attention to vulnerable consumers, and our members take this issue very seriously. CAFII made a written submission on March 8, 2024 on FSRA's consultation on its proposed approach to strengthening the protection of vulnerable consumers.

With respect to FSRA's Strategic Framework, it is CAFII's view that FSRA is an exemplary regulator engaging in open consultations and transparency. FSRA is principles-based, outcomes-focused, and committed to sincere and honest collaboration. We note in this regard, as examples, the highly informative webinar held on principles-based regulation on October 7, 2024, and the ongoing sessions of the Life and Health Insurance Sectoral Advisory Committee, of which CAFII's Executive Director Keith Martin is an active participant. CAFII and its members value their interactions with the executives of FSRA, who are singularly professional and well-informed.

In that regard, CAFII applauds your ongoing commitment to "Strengthen stakeholder relations and improve consumer-focused outcomes," and supports your efforts around enhancing licensing efficiency and effectiveness, and modernizing systems and processes.

With respect to your work on life and health insurance, including your initiatives to ensure that the MGA distribution channel has proper oversight, we encourage FSRA to help Ontarians understand the importance of life insurance to a robust financial plan. Financial literacy is a critically important area that CAFII and its members are committed to. A March 2024 survey of Canadians commissioned by CAFII and conducted by independent research organization LIMRA found that Canadians are underinsured and uninsured against their lives and health.³ The study found a concerning trend among Canadian homeowners: a significant 80% lack sufficient insurance coverage, being either uninsured or underinsured with Credit Protection Insurance (**CPI**) or traditional life insurance.⁴ This shortfall in coverage leaves many families inadequately protected against unforeseen life events. FSRA plays a critical role in ensuring the stability and oversight of the life insurance sector, giving confidence to consumers that it is properly regulated and is treating them fairly.

A summary of some of the findings from our LIMRA research initiative can be found in Appendix A to this submission.

² A summary of the presentation can be found here: <https://www.cafii.com/cafii-reception-dinner-and-deloitte-presentation/>

³ The full study can be found on the CAFII website here: <https://www.cafii.com/cafii-limra-insurance-among-canadian-homeowners/>

⁴ Underinsured is defined as Canadians with insurance coverage of less than 7-10 times their income, which is the definition used by the Financial Consumer Agency of Canada (FCAC).

CAFII is very interested in the work of the Innovation Office to partner with Fintech Cadence in the pursuit of increasing fintech's knowledge of and access to FSRA's Test and Learn Environment, which could lead to more innovation in the sector. As well, CAFII members of the Diversity, Equity, and Inclusion (DEI) Working Group learned much from a presentation by Swati Agrawal on the work FSRA has done on these issues with the International Association of Insurance Supervisors (IAIS), and we hope to have a webinar with Ms. Agrawal in 2025 to discuss the work of the IAIS in this area.

In closing, CAFII again expresses its appreciation of FSRA's continued commitment to open and transparent communication and consultation. We look forward to making further representations of our Association's views on FSRA's *Proposed FY2024-2025 Statement of Priorities* through the Life and Health Insurance Sectoral Advisory Committee's meetings, which, as noted CAFII actively participates in.

Sincerely,



Karyn Kasperski
Board Secretary and Chair, Executive Operations Committee

Appendix A

Low-income homeowners are significantly more likely to be uninsured compared to those in higher income brackets. Of those who are insured, 75% of low-income homeowners are underinsured, meaning they lack sufficient coverage to protect their financial well-being.

Despite the alarming rate of underinsurance, only 55% of all homeowners with credit own some form of CPI. This discrepancy is even more pronounced among low-income homeowners, who have notably less CPI coverage compared to their high-income counterparts. This suggests a gap in understanding of and access to CPI, highlighting the need for increased awareness and education about this form of insurance and its benefits.

While 80% of Canadian homeowners are underinsured or uninsured, among low-income homeowners with credit, 24% have no life or health insurance and another 10% rely solely on CPI for their insurance needs. This is significantly more than other income groups and highlights the importance of this form of protection for financially vulnerable households.

Finally, a significant portion of Canadian homeowners, 38%, fall into the category of “at risk.” These are homeowners with credit, who are uninsured or underinsured, and who would be survived by partners or dependents. This group is particularly vulnerable to financial hardship in the event of unexpected life events. Taken together, these findings demonstrate the importance of not impeding access to these insurance protections, and not unfairly tarnishing the reputation of this industry or the access to these products by underinsured and uninsured Canadians.

These products offered by banks and credit unions provide critical protections in the marketplace and treat consumers fairly. The insurance is optional; full disclosure of premiums, exclusions, and limitations are made; and the industry has a strong record around claims payout. For example, separate research commissioned by CAFII and conducted by polling company Pollara Insights found that 95% of mortgage life insurance claims were paid out.

About CAFII

CAFII is a not-for-profit industry Association dedicated to the development of an open and flexible insurance marketplace. Our Association was established in 1997 to create a voice for financial institutions involved in selling insurance through a variety of distribution channels. Our members provide insurance through client contact centres, agents and brokers, travel agents, direct mail, branches of financial institutions, and the internet.

CAFII believes consumers are best served when they have meaningful choice in the purchase of insurance products and services. Our members offer credit protection, travel, life, health, and property and casualty insurance across Canada. In particular, credit protection insurance and travel insurance are the product lines of primary focus for CAFII as our members' common ground.

CAFII's diverse membership enables our Association to take a broad view of the regulatory regime governing the insurance marketplace. We work with government and regulators (primarily provincial/territorial) to develop a legislative and regulatory framework for the insurance sector which helps ensure that Canadian consumers have access to insurance products that suit their needs. Our aim is to ensure that appropriate standards are in place for the distribution and marketing of all insurance products and services.

CAFII's 15 members include the insurance arms of Canada's major financial institutions--BMO Insurance, CIBC Insurance, Desjardins Insurance, National Bank Insurance, RBC Insurance, Scotia Insurance, and TD Insurance, along with major industry players Assurant Canada, The Canada Life Assurance Company, Canadian Tire Bank, Canadian Western Bank, Chubb Life Insurance Company of Canada, CUMIS Services Incorporated, Manulife (The Manufacturers Life Insurance Company), and Securian Canada.