

Financial Services Regulatory Authority: Regulation of Private Passenger Automobile Insurance, Credit Unions and Pension Plans

I'd like to talk to you about our audit on the **Financial Services Regulatory Authority** and its Regulation of

- **Private Passenger Automobile Insurance,**
- **Credit Unions and**
- **Multi-Employer Pension Plans.**

The Financial Services Regulatory Authority of Ontario or FSRA as it is known, is the primary regulator of non-securities-related financial services in the province, including about:

- 60 credit unions,
- 310 insurance companies,
- 67,000 insurance agents, and
- 4,600 pension plans.

FSRA is responsible for ensuring Ontario's financial institutions are operating in compliance with relevant laws, regulations and sector-specific rules.

Failures by regulated entities can result in negative financial impacts to Ontarians, including loss of deposits in credit unions, and loss of pension income. Further, Ontario has the highest average private passenger automobile insurance rates in Canada.

Our audit assessed whether FSRA is effectively protecting consumers and contributing to public confidence in these sectors through its regulatory and supervisory activities.

We concluded that FSRA needs to accelerate its efforts to fully protect consumers. This includes taking action in the auto insurance sector to reduce the high cost of automobile insurance in conjunction with the Ministry of Finance.

We found that the insurance cost for the same person with the same driver profile, driving exactly the same automobile, can vary from:

- \$1,200 dollars per year for a London, Ontario resident to
- \$3,350 dollars per year if they reside in Brampton, Ontario.

In the credit union sector, our audit found that the Deposit Insurance Reserve Fund, which insures deposits in case of a credit union insolvency, is not funded to its targeted level. This means that not all insured deposits would be fully protected if the Reserve Fund does not have enough assets to cover all claims, should a credit union become insolvent. We also found that credit unions were not being inspected in a timely or thorough manner.

Lastly, in the pension sector, we found that about a million Ontarians, often trades workers with multiple employers, may not be aware of the risk of not receiving their full targeted pension benefits. As of June 30, 2022, these pension plans collectively had, on average, just 74% of the necessary assets to pay all targeted pension benefits, if the plans were wound up immediately.

Our report contains 18 recommendations, including that FSRA:

- conduct a review of the objectivity and fairness in insurance companies' use of certain rating variables to determine insurance premiums, such as the insurance purchaser's address, sex/gender and age, and provide recommendations to the Ministry of Finance to implement changes;
- work with the Ministry of Finance and relevant industry associations and ministries to develop an accreditation regime for automobile repair shops in Ontario, and require shop accreditation;
- work with the Ministry of Finance to regularly assess if premiums are sufficient to keep the Deposit Insurance Reserve Fund at a level of funding comparable with that in other provinces; and
- work with the Ministry of Finance to consider requiring member disclosures to include an explanation of how a pension plan's level of funding impacts pension benefits, and that benefits may be reduced at any time if needed to satisfy the level of funding required by the *Pension Benefits Act*.

To read this report, you can visit our website at www.auditor.on.ca