



News Release

For Immediate Release

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Ontario Can Do More to Lower Car Insurance Rates and Better Protect Member Deposits at Credit Unions and Some Pension Plan Member Benefits: Auditor General

(Toronto) Even though Ontario has one of the lowest accident rates in Canada, it has the highest private passenger automobile insurance rates in Canada. Auditor General Bonnie Lysyk's *2022 Annual Report* says the regulator, the Financial Services Regulatory Authority of Ontario (FSRA) could evaluate several initiatives for applicability in Ontario, that are in effect in other provinces, that may reduce rates. For example:

- Ontario could pay directly for the treatment of auto-accident injuries—as is done more regularly in Alberta—instead of cash settlements with people who are injured to seek their own treatment, and
- Ontario could follow British Columbia and Saskatchewan by licensing or certifying repair shops to protect consumers against poor repairs and fraud.

The audit also recommends that the FSRA reassess the way automobile insurance companies determine premiums, including using a person's address, gender and age as variables in calculating automobile insurance premiums. The audit found that insurance rates for the same person can range from \$1,200 per year if they reside in London, Ontario resident to \$3,350 per year if they reside in Brampton, Ontario and drive exactly the same automobile.

The FSRA, which reports to the Minister of Finance, is the primary regulator of several financial services in the province, including about 310 insurance companies, 67,000 insurance agents, 60 credit unions and 4,600 pension plans. The audit also found improvements needed in the regulation of credit unions and pension plans.

- **Credit Unions/Caisses Populaires:** The Deposit Insurance Reserve Fund, which helps insure deposits in case of an insolvency, is not funded to the targeted level. Not all insured deposits are fully protected if the Reserve Fund doesn't have enough assets to cover all claims should a credit union/caisse populaire become insolvent. The audit also found that credit unions/caisses populaires had not been inspected in a timely or thorough manner. Even when issues were identified, they had little incentive to make changes because they faced only minor financial consequences for doing nothing. The FSRA did not take any type of enforcement action even when the same issues occurred on subsequent inspections. The audit found that the FSRA was in the midst of re-vamping its inspection process.
- **Pension plans:** The audit found that about a million Ontarians may not be aware of the risk of not receiving their full targeted pension benefits. These are often trades workers who may have had multiple employers throughout their career. 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. In addition, neither the FSRA nor the Ministry of Finance require these plans to disclose to members that their benefits could be reduced at any time. While relatively rare, members of plans that have been wound up due to industry downturns sometimes experienced a permanent

reduction of as much as 77% of their targeted pension benefit.

“The FSRA took over the responsibility for regulating these sectors in 2019”, Lysyk said. “While it is still a relatively new organization that took over the responsibilities of the former Financial Services Commission of Ontario and the Deposit Insurance Corporation of Ontario, in our view, it could do more to improve consumer protection and increase public confidence in these important financial services.”

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Read the report at www.auditor.on.ca

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